

Overview

OF THE CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND RELATED ISSUES

JANUARY 1, 2003



Overview Of The California State Teachers' Retirement System And Related Issues

AS OF JANUARY 1, 2003

FORWARD

The California State Teachers' Retirement System (CalSTRS) was created in 1913 to provide retirement benefits to California's public school educators.

This publication provides an overview of the retirement system, including a summary of benefits currently provided to members, a history of the system, an explanation of system financing, a glossary of terms commonly used in the retirement system and a summary of system statistics.

It is a source of information for questions that the reader may have from time to time on CalSTRS and retirement systems in general. However, in the event that the information in this publication conflicts with the actual statute, the statute takes precedence.

Questions regarding this publication can be directed to the Legislative Services Office at (916) 229-3727.



OVERVIEW OF THE CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM AND RELATED ISSUES

JANUARY 1, 2003

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Defined Benefit Program Summary

Service Retirement

Normal Retirement Eligibility Requirement

Age 60 with five years of service credited to CalSTRS, which can include service from teaching in an out-of-state public school.

Benefit Formula

Two percent of final compensation for each year of credited service at age 60, increasing to 2.4 percent at age 63. For members with 30 or more years of credited service, an additional 0.2 percent of final compensation per year of credited service. The maximum benefit cannot exceed 2.4 percent.

A longevity bonus is added to the monthly, unmodified retirement allowance of members who accumulate at least 30 years of service credit prior to January 1, 2011. The amount of the longevity bonus depends on the years of service credit at retirement. With 30 years of service credit, the member would receive a monthly increase of \$200; with 31 years, an increase of \$300; with 32 or more years, an increase of \$400.

Final Compensation

For members retiring with 25 years or more of credited service, final compensation is the highest average annual compensation earnable for any 12 consecutive months of credited California service. Otherwise, final compensation is the highest average annual compensation earnable for any three consecutive years of credited California service.

For an eligible classroom teacher, final compensation may be the highest average annual compensation earnable during any period of 12 consecutive months while a member of the Defined Benefit (DB) Program, if it is part of a written collective bargaining agreement and associated costs are paid to CalSTRS. This provision only

applies to a qualified classroom teacher, as defined, who is employed by an employer who has entered into a written agreement with an exclusive representative to make this provision applicable.

Final compensation may be the highest average annual compensation earnable during ANY three “nonconsecutive” years (one year is a period of 12 consecutive months) of membership in the program if the member’s salary has been reduced because of a reduction in school funds.

Minimum Guarantee

Specified retired members under the DB Program, their option beneficiaries and surviving spouses, receiving an allowance on January 1, 2000, are guaranteed a minimum allowance based on the member’s years of credited service. The total annual amount payable to the member with 20 years of credited service generally will not be less than \$15,000, increasing incrementally to \$20,000 with 30 or more years of credited service.

Internal Revenue Code Section 415

Benefits paid under the DB Program are subject to limits imposed under Internal Revenue Code Section 415. In 2003, the limit is \$160,000 for members who retired between ages 62 and 65. Benefits in excess of the limit are payable from the Replacement Benefits Program.

Early Retirement

Age 55 with Five Years Credited California Service

A 1/2 percent reduction in the age factor for each full month or partial month the member is younger than age 60.

30 and Out

Age 50 with 30 years of credited service. The standard 1/2 percent reduction from age

60 to 55 and a 1/4 percent reduction for each full or partial month the member is younger than age 55 are applied.

Limited Term Reduction

Age 55 and under age 60 with five years of credited California service. Under this alternative, a reduced allowance is paid equal to 1/2 the normal retirement allowance at age 60, based on the final compensation and service credit at the age of retirement. The reduced allowance continues until the amount paid after age 60 equals the amount paid prior to age 60. Thereafter, the age 60 normal retirement allowance is paid.

Deferred Retirement

Any time after satisfying the minimum service requirement, a member may cease active service, leave the accumulated retirement contributions on deposit and later retire upon attaining the minimum age requirement and filing an application to retire. No formal election is required to defer retirement; however, a written application must be made to the CalSTRS in order to retire.

Mandatory Retirement

The DB Program does NOT have a mandatory retirement age. However, federal law requires that a minimum distribution of retirement benefits begin no later than April 1 of the calendar year following the calendar year in which a member reaches age 70-1/2, if the member has not retired and is no longer performing creditable service subject to coverage by the State Teachers' Retirement Plan (Plan) or is no longer employed in a position requiring or permitting membership in another California public retirement system.

Unused Sick Leave Service Credit

Service credit is granted for unused sick leave at the time of retirement.

Election of an Option

When a member reaches age 55 or accrues 30 years of service credit and becomes eligible for service retirement, the member may make a pre-retirement election prior to the effective date of retirement to receive a

modified joint and survivor allowance payable at retirement in place of the unmodified allowance. If the member dies prior to retirement, the option beneficiary will receive a lifetime allowance based on the option selected. This election is available for those members who are eligible for but do not wish to retire, but want to ensure a monthly lifetime income to a beneficiary in the event death occurs prior to retirement. However, the pre-retirement election makes the member ineligible for a family or survivor benefit allowance unless the member cancels the option election prior to his or her death.

The DB Program has seven joint and survivor benefit options:

Option 2:

Joint and 100 percent to beneficiary. Upon the retired member's death, the modified allowance will continue to be paid to the option beneficiary for life.

Option 3:

Joint and 50 percent to beneficiary. Upon the retired member's death, one-half of the modified allowance will continue to be paid to the option beneficiary for life.

Option 4:

Joint and 66-2/3 percent to survivor. Upon the death of either the retired member or the option beneficiary, two-thirds of the modified allowance will continue to be paid to the survivor for life.

Option 5:

Joint and 50 percent to survivor. Upon the death of either the retired member or the option beneficiary, one-half of the modified allowance will continue to be paid to the survivor for life.

Option 6:

Joint and 100 percent to beneficiary with "Pop Up." Upon the retired member's death, the modified allowance will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member's allowance will "pop up" to the unmodified allowance level. The member may then name a new

beneficiary, subject to a reduction in the monthly allowance.

Option 7:

Joint and 50 percent to beneficiary with “Pop Up.” Upon the retired member’s death, one-half of the modified allowance will continue to be paid to the option beneficiary for life. If the option beneficiary predeceases the retired member, the retired member’s allowance will “pop up” to the unmodified allowance level. The member may then name a new beneficiary, subject to a reduction in the monthly allowance.

Option 8:

Multiple option beneficiaries. Allows any member, prior to the effective date of retirement, to designate multiple option beneficiaries. For each beneficiary designated, the member selects from options 2 through 7 that provide a modified retirement allowance payable throughout the life of the member and his or her option beneficiary.

Partial Lump Sum

Description

Eligible CalSTRS members may receive a partial lump-sum (PLS) payment as part of their service retirement benefit. In exchange, the monthly benefit is permanently reduced, although the reduced benefit is still guaranteed for life.

Eligibility

The member must be at least age 60 and 3 months as of the month of the service retirement to be eligible for PLS. For members with 30 or more years of service credit, eligibility begins at age 60.

Maximum PLS Payment Amount

The maximum PLS payment can be up to 15 percent of the present value of the unmodified retirement allowance. (The present value is the total amount that CalSTRS is expected to pay over the member’s lifetime.) The actual PLS amount received depends on the member’s age, earnings and years of service credit.

Rollover Option

The PLS may be paid to the member or rolled over to another retirement plan.

However, the member is not permitted to do both. A rollover must be done through a trustee-to-trustee transfer to a qualified plan, such as a 403(b). If a rollover is chosen, the minimum PLS amount must be at least twice the amount of the new monthly retirement benefit after the permanent reduction from the PLS is calculated.

Post-Retirement Adjustments

Benefit Improvement Factor

There is a two percent simple increase on each September 1 following the first anniversary of the effective date of the allowance (the date on which the monthly allowance began to accrue). The annual two percent increase is applied to all continuing allowances, unless the member is covered under Limited Term Reduction, in which case the annual two percent increase does not begin to accrue until the member reaches age 60.

Supplemental Increase

Resources from the State Supplemental Benefit Maintenance Account (SBMA) and revenue from the State School Lands restore purchasing power up to 80 percent of a benefit recipient’s initial allowance. These supplemental payments are vested to the extent funds are available from the SBMA, with the General Fund providing an annual transfer equal to 2.5 percent of the prior years’ payroll.

Post-Retirement Earnings Limitation

CalSTRS has no limitation on earnings outside the California public school system. There is a fiscal year limitation on earnings from creditable service within the California public school system for members who retired for service and did not have a break in covered service of 12 consecutive months after retirement. The allowance of a member retired for service will be reduced by the amount of any earnings in excess of the limitation, up to a member’s annual allowance amount. The current earnings limitation of \$24,934 is increased each July 1 based on the average earnable salary of active members of the DB Program. (This

differs from the earnings limitation imposed on disability allowances and disability retirement benefits. See the applicable section for a summary of those limitations.)

Exemptions to the Limitation

Post-retirement earnings are exempted from the limitation under specific circumstances, provided that the employer submits documentation for the exemption.

Exemptions are granted for:

- Members who retired on or before January 1, 2000 and return to a K-12 classroom to provide direct classroom instruction or support or assess new teachers in the Beginning Teacher Support and Assessment Program or provide support to individuals completing student teaching assignments in the Pre-Internship Teaching Program, alternative certification programs, or in a School Paraprofessional Teacher Training Program.
- Members who retired on or before July 1, 2000 and return to teaching to provide direct remedial education in a grade 2-12 classroom.

Other Exemptions

Reinstatement

Members who retire for service, reinstate and perform creditable service for the equivalent of two full years following reinstatement from a prior retirement receive the service retirement allowance in effect at the time of the subsequent retirement based on the sum of:

- An allowance based on the member's prior service and age at the subsequent retirement, minus the number of years the member was retired,

Plus

- An allowance based on the member's age at the later retirement and years of service performed after reinstatement.

If a member reinstates and performs creditable service for less than two years, then the following service retirement allowance is received:

- An amount equal to the last unmodified allowance received immediately before reinstatement, increased by the two-percent cost-of-living adjustment (COLA) that would have been applied to the allowance if the member had not reinstated,

Plus

- An amount based on service credit earned since the last reinstatement, the member's age at the subsequent retirement and final compensation.

Death Benefit for Retired Members

Designated beneficiaries of CalSTRS retired members receive a \$6,163 lump-sum death payment. The amount of the death payment may be adjusted by the Teachers' Retirement Board (Board) following each actuarial valuation based on changes to the All Urban California Consumer Price Index (CCPI).

Social Security

The CalSTRS DB Program is not integrated with, coordinated with, or supplemented by the federal Social Security Program.

Termination of Membership

After termination of employment, a member may request a refund of the contributions and interest credited to the member's account. A refund terminates membership in and all rights to future benefits from the DB Program.

Re-Entry Into Program After Refund

Individuals who have received a refund and who subsequently become members of the DB Program, or of other California public retirement systems, may redeposit all or a portion of contributions and interest previously refunded. In addition, regular interest from the date of the refund through the final date of payment must be paid in order to be credited with the related service. The member must, however, earn at least one year of credited service after re-entry before becoming eligible for any benefits from the DB Program.

Funding

Member Contribution

Members contribute a total of 8 percent of creditable compensation. From January 1, 2001 through 2010, 25 percent of the member's monthly contribution is credited to the member's Defined Benefit Supplement Program account. (See following section, "Defined Benefit Supplement Program," for more information.)

Employer Contribution

The rate is 8.25 percent of the total of the creditable compensation on which member contributions are based.

State Contribution

The State's quarterly contribution to CalSTRS in 2002-03 is 1.975 percent of creditable compensation of the prior calendar year upon which members' contributions are based,

Plus

Up to 1.505 percent of the total of the creditable compensation of the prior calendar year upon which members' contributions are based, which is contributed until the unfunded obligation and any normal cost deficit for the benefits in effect on July 1, 1990, is eliminated. Currently no contributions are being made for this purpose.

Disability Allowance - Coverage A

Effective Date

If CalSTRS membership was effective prior to October 15, 1992, members had the opportunity to elect Coverage A or B.

Eligibility Age Limit

Under age 60.

Service Credit

Minimum of five years or one year if disabled due to an unlawful act of bodily harm committed by another person while working in CalSTRS covered employment.

Employment Status

May apply for disability allowance while still performing creditable service.

Benefit Formula

Allowance

50 percent of final compensation

Or

5 percent of final compensation for each year of service credit if over age 45 with less than 10 years of service credit.

Children's Benefits

10 percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation. The increment for each eligible child continues until the child attains age 22.

Offsets

Allowance, including children's increments, will be reduced by an amount equal to any benefits payable under other public systems for the same disability.

Employment

May be employed in a position to perform creditable service subject to coverage by the DB Program, or any other employment, subject to earnings limitations.

Earnings Limits

- In a single month, the disability allowance (less amounts payable for children) plus employment earnings may not exceed 100 percent of indexed final compensation;
- For a six-month period, average earnings may not exceed 66-2/3 percent of indexed final compensation.

Conversion to Service Retirement

An allowance is payable for the duration of the disability or until age 60 without eligible children. At age 60 after conversion to service retirement, the member's allowance will be based on projected final compensation and projected service to age 60; however, the service retirement allowance may not exceed the terminated disability allowance. A disability allowance may continue beyond age 60 if there are eligible children and the member remains disabled.

Death Benefit

A \$6,163 lump-sum death payment is payable to the designated beneficiary upon

the death of the disabled member. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI,

Plus

If the member has not elected a pre-retirement option, a family allowance is payable to the surviving spouse who has children eligible for a children's benefit,

Or

If there are no eligible children, the spouse may elect to take a lump-sum refund of the contributions and interest remaining in the member's account or receive an Option 3 beneficiary allowance either at age 60, or immediately with a reduction based on the member's and spouse's ages at the time the benefit begins.

Disability Retirement - Coverage B

Effective Date

If CalSTRS membership was effective after October 15, 1992, or if the member elected during the 1992 election period, Coverage B applies.

Eligibility Age Limit

None.

Service Credit

Minimum of five years or one year if disabled due to an unlawful act of bodily harm committed by another person while working in CalSTRS covered employment.

Employment Status

May apply for disability retirement while still performing creditable service.

Benefit Formula

Allowance

50 percent of final compensation regardless of age and service credit.

Children's Benefits

10 percent of final compensation for each eligible dependent child, up to a maximum of 40 percent of final compensation for four or more children. The increment for each eligible child continues until the child attains

age 21, regardless of student, marital, or employment status.

Option Election

A member may elect a joint and survivor option upon application for a disability retirement. If a member has a pre-retirement option of file with CalSTRS and files for disability under Coverage B, then that pre-retirement option is cancelled and the member must file a new option election.

Offsets

The allowance (less amounts payable for children) will be reduced by an amount equal to any benefit payable for the same disability under a workers' compensation program.

Employment

A member may be employed to perform creditable service, or any other employment, but cannot make contributions to the fund or accrue service credit based on earnings from any employment.

Earnings Limit

There is a calendar year limitation on earnings from all employment. The allowance of a member retired for disability will be reduced by the amount of any earnings in excess of the limitation. The current limit is \$21,000 and is adjusted each January 1 by the annual increase in the CCPI, using December 1989 as the base.

Conversion To Service Retirement

No conversion; allowance is payable for the duration of the disability.

Death Benefit

A \$6,163 lump-sum death payment is payable to the designated beneficiary upon the death of the disabled member. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI,

Plus

If an option was selected at the time of Disability Retirement, a lifetime allowance is payable to the option beneficiary upon the member's death,

Or

If no option was selected, a lump-sum refund of the remaining contributions and interest in the member's account is payable to the designated beneficiary.

Survivor Benefit - Coverage A

Eligibility

Benefits are payable to survivors of a person who became a member before October 16, 1992, did not elect Coverage B and had not made a pre-retirement election of an option and had a minimum of one (1.000) year service credit.

Lump-Sum Death Payment

A \$6,163 lump-sum death payment is payable to the designated beneficiary upon the death of the member, if the member had at least one year of CalSTRS credited service. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI.

Basic Benefit

When there are eligible children, a family allowance will be paid. If there are no eligible children, the spouse may elect to receive an Option 3 beneficiary allowance at age 60, or immediately with a reduction based on the member's and spouse's ages at the time the benefit begins, or take a lump-sum refund of the remaining contributions and interest in the member's account.

Surviving Spouse Eligibility

Married to the member for at least one year on the date of death.

Allowance

The surviving spouse with eligible children would receive 40 percent of the member's final compensation for as long as there is at least one eligible child. An additional 10 percent of final compensation is payable for each eligible child, up to a maximum benefit of 50 percent for five or more children. To be eligible, dependent children must be unmarried and under age 22.

When there are no eligible children, the spouse may elect to receive an Option 3 beneficiary allowance or take a lump-sum refund of the remaining contributions and interest in the member's account.

If there is no surviving spouse, an allowance of 10 percent of the member's final compensation is payable for each eligible child up to a maximum of 50 percent of final compensation.

If there is neither a surviving spouse nor a dependent child, the member's dependent parents may elect to receive an Option 3 beneficiary allowance at age 60 or over, or take a lump-sum refund of the remaining contributions and interest in the member's account.

Contributions And Interest

If there is no surviving spouse, eligible children, or dependent parent, the contributions and interest are paid to the designated beneficiary.

Survivor Benefit - Coverage B

Eligibility

Benefits are payable to survivors of a person who either became a member after October 16, 1992 or elected Coverage B, if the member was actively employed at the time of death, had not made a pre-retirement election of an option and had a minimum of one (1.000) year service credit.

Lump-Sum Death Payment

A \$24,652 lump-sum death payment is payable to the designated beneficiary if the member had one or more years of credited service. The amount of the death payment may be adjusted by the Board following each actuarial valuation based on changes to the CCPI.

Basic Benefit

The surviving spouse may elect to receive a monthly allowance or take a lump-sum refund of the contributions and interest in the member's account.

Surviving Spouse Eligibility

Married to the member for at least one year on the date of death.

Spousal Allowance

If the surviving spouse elects not to take a lump-sum refund of the contributions and interest in the member's account, the surviving spouse would receive one-half of the member's Option 3 allowance, beginning either on the member's 60th birthday, or immediately with a reduction based on the member's and spouse's age at the time the benefit begins. The spousal allowance is payable whether or not there is a dependent child requirement.

Children's Allowance

If the surviving spouse elects a monthly allowance, an additional allowance is

payable for each eligible dependent child equal to 10 percent of the member's final compensation, with a maximum benefit of 50 percent for five or more children. The benefit is dependent upon the spouse electing a monthly allowance. To be eligible, dependent children must be under age 21. Student, marital, or employment status will not terminate the benefit. If there is no surviving spouse, no children's benefits are payable.

Contributions and Interest

If there is no surviving spouse, the contributions and interest in the member's account are paid to the member's designated beneficiary.

Defined Benefit Supplement Program Summary

Program Description

The Defined Benefit Supplement (DBS) Program is a means for CalSTRS to increase, i.e., "supplement," the amount payable at retirement to members of the DB Program, which is the primary benefit program administered by CalSTRS for educators in California's public schools.

Eligibility Requirements

All members of the DB Program who make contributions to CalSTRS on creditable compensation earned on and after January 1, 2001 will have an account under the DBS Program and will be eligible to receive a benefit under the DBS Program. Contributions to the DBS Program are not optional.

Contributions

Beginning January 1, 2001, each member of the DB program will continue to contribute 8 percent of his or her CalSTRS-covered salary towards retirement. However, 25 percent of those contributions (2 percent of salary) will be allocated to a DBS Program account established for the member and the remaining 75 percent of the contributions on creditable compensation earned by the member will go to the DB Program.

Contributions on two percent of creditable compensation will be credited to the DBS Program until December 31, 2010. The balance of credits in the member's DBS account after 2010 will depend on several factors, including the interest rate and the creditable compensation earned by the member during that period.

In addition, member and employer contributions are credited to the member's DBS account on compensation earned from service in one school year that exceeds the full-time equivalent (FTE) for the position, resulting in more than one year of credited service. In addition, contributions for compensation as a result of retirement

incentives or limited term enhancements are credited to the member's account. This provision will not cease at the end of 2010.

Program Investments

Contributions to the DBS Program will be invested by CalSTRS in the same manner as the DB Program and other contributions received by CalSTRS, excluding private equity and real estate.

Guaranteed Interest Rate

Funds in a member's DBS account will earn interest. The Board will set a minimum interest rate each year for the DBS Program and interest at that rate will be guaranteed. The interest rate is based on 30-year U.S. Treasury notes for the period from March to February immediately preceding the plan year. The rate in 2002-03 is 5.5 percent.

Voluntary Contributions To The DBS Program

Members may not make additional voluntary contributions under the DBS Program.

Gain And Loss Reserve

Funds accumulate in a Gain and Loss Reserve (Reserve) to credit interest to members' accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the Reserve are determined by the Board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The Reserve will also be used to ensure adequate funds are available in the Annuitant Reserve, which is established to make monthly annuity payments.

Additional Earnings Credit

After the end of the plan year, when the total investment earnings for the immediately preceding plan year are known, the Board may declare an additional earnings credit. Any additional earnings credit will be

applied to the balance of credits in each member's account as of the last day of the plan year; however, the date upon which the additional earnings credit is applied to members' accounts is specified by the Board.

Additional Annuity Credit

When the Board declares an additional earnings credit, it may also declare an additional annuity credit for members and beneficiaries who are receiving an annuity as of the date specified by the Board. The additional annuity credit is based on the balance of credits transferred from the member's DBS account to the Annuitant Reserve. Any additional annuity credit will be paid in a lump-sum.

Retirement Eligibility

To retire, a member must terminate all creditable service under the Plan and retire for service under the DB Program. Distribution of a retirement benefit must begin by age 70-1/2, unless the member continues to perform creditable service.

Early Withdrawals

Both federal and California state tax codes provide for tax penalties for certain early withdrawals. A 10 percent federal and 6 percent state tax penalty may be assessed for early withdrawals, in addition to the normal tax liability.

Rollover

Members are not permitted to transfer funds from eligible retirement plans into the DBS account. When a member becomes eligible for a distribution under the DBS Program, rollovers are allowable to a qualified plan under applicable federal and state laws and regulations.

Reemployment After Retirement

If a member reinstates from service retirement after commencing a monthly annuity, the annuity will be terminated and a credit balance will be applied to the member's account. The member must reapply for subsequent retirement.

Program Benefits

Retirement And Disability Benefits

A retirement benefit is payable when retiring from the DB Program. The DB Program also provides a disability benefit when the Board determines that a member has a total and permanent disability. The following options are available for receiving either a retirement or disability benefit:

- ❖ Choose to receive a lump-sum benefit equal to the balance of credits in member's account,

Or

- ❖ Choose one of the following five annuities, if the member's balance is \$3,500 or more:

- Single life annuity with a cash refund feature. Upon the retired or disabled member's death, the balance of the credits in the member's DBS account will be paid in a lump sum to the member's beneficiary;
- Single life annuity without a cash refund feature. Upon the retired or disabled member's death, no other benefit will be payable to the member's beneficiary under the DBS Program;
- Joint and 100 percent to beneficiary. Upon the retired or disabled member's death, the same monthly amount that was payable to the member will be paid monthly to the member's surviving annuity beneficiary. If the member's beneficiary predeceases the member, an annuity will be paid to the member in the form of the single life annuity with a cash refund feature;
- Joint and 50 percent to beneficiary. Upon the retired or disabled member's death, one-half of the modified allowance will continue to be paid to the member's beneficiary. If the member's beneficiary predeceases the member, an annuity will be paid to the

member in the form of the single life annuity with a cash refund feature;

- Period certain annuity. The annuity will be paid in whole year increments over a period of three to ten years, as specified by the member. If the member's death occurs before the end of the period certain, the remaining balance of payments will be paid to the member's beneficiary;

Or

- ❖ Choose a combination of a lump-sum benefit and annuity, provided the member's balance after the lump-sum benefit is \$3,500 or more.

Disability Eligibility

A member receives a DBS Program disability benefit when the member is receiving a DB Program disability benefit. All creditable service subject to coverage by the Plan must be terminated prior to the disability date. A disability benefit will become payable only upon determination by the Board that the member has a total and permanent disability.

Death Benefit

Death Prior to Retirement

The balance of credits in the member's account is payable to the named beneficiary. If no valid beneficiary is designated, the lump-sum payment will be paid to the member's estate.

Beneficiary

A beneficiary to whom a death benefit is payable may elect to receive the benefit in the form of an annuity, provided the balance of credits in the member's account is \$3,500 or more. The beneficiary may elect either a single life annuity without a cash refund feature, or a period certain annuity.

Death of Member Receiving Annuity

Upon the death of a member, the annuity is payable in accordance with terms of the annuity option elected by the member.

Note: There may not be a payment to a beneficiary.

Termination Benefit

Upon termination of all creditable service subject to coverage under the Plan, for any reason other than death, disability, or retirement, a member must apply for a lump-sum termination benefit. The benefit amount is equal to the balance of credits in the member's DBS account.

Waiting Period

The termination benefit is payable after one calendar year has elapsed following the employment termination date. The application for the termination benefit will be automatically canceled if the member performs creditable service within one year following the employment termination.

Cash Balance Benefit Program Summary

Program Description

The CalSTRS Cash Balance (CB) Benefit Program is a defined benefit plan that meets the requirements of the Internal Revenue Code. It is optional to school districts, community college districts, or county offices of education as an alternative retirement program. The CB Benefit Program is the primary retirement program for employees of California's public schools who are hired to perform creditable service for less than 50 percent of the FTE for the position.

Eligibility Requirements

Employers may offer the CB Benefit Program to eligible employees. Employers must elect to offer the CB Benefit Program through formal school board action, exclusively, or in addition to other alternative plans and/or Social Security.

When an employer first elects to offer the CB Benefit Program, employees employed to perform creditable service and whose basis of employment (employees' formal contract) is less than 50 percent of the FTE for the position may elect to become participants on the later of: (1) the first day in which creditable service is performed, or (2) the effective date of the employer's governing board's action to provide the CB Benefit Program.

Eligible part-time employees who work for multiple employers may participate in the CB Benefit Program for each employer who offers the program, regardless of DB Program membership. The employee may elect to participate in the CB Benefit Program. In addition, a person is eligible if he/she performs trustee services for an employer who has elected to participate in the CB Benefit Program.

Elections

A member of the DB Program who is otherwise eligible to participate in the CB

Benefit Program may elect to participate in the CB Benefit Program.

Employees have the right to elect coverage under either Social Security, or an alternative plan in lieu of the CB Benefit Program if the employer's governing board's action provides for these options.

An election to participate in either Social Security or an alternative plan does not prevent an employee from electing to participate in the CB Benefit Program at a later date, as long as the CB Benefit Program is provided by the employer and the employee is eligible to participate.

Discontinued Eligibility

Employees shall cease contributing to the CB Benefit Program and become mandatory members of the CalSTRS DB Program when the basis of employment (formal contract) for a specific employer changes to 50 percent or more of full-time for the position. Participation in the CB Benefit Program will also cease when a member elects to become a member of the DB Program, which may occur at any time.

Contributions

Each employer contributes a minimum of 4 percent of salary on behalf of each participating employee. Through the collective bargaining process, employers are permitted to negotiate different levels of employee and employer contributions, as long as the following conditions are met:

- The sum of the employee and employer contributions equals or exceeds 8 percent of employee salary;
- The employee contribution rate may exceed the employer contribution rate but in no event may the employer contribution rate be less than 4 percent;
- The employee and employer contribution rates are the same for each participant employed by the employer;

- The contribution rates as determined under the collective bargaining agreement become effective on the first day of the plan year and remain in effect for at least one plan year;
- The employee and employer contribution rates shall be in one-quarter increments.

Vesting

A participant has an immediate vested right to a retirement benefit equal to the sum of the balance of contributions, including any compounded interest earned on his or her employee and employer accounts.

Program Investments

Contributions to the CB Benefit Program will be invested by CalSTRS in the same manner as other contributions received by CalSTRS, excluding private equity and real estate.

Guaranteed Interest Rate

The CB Benefit Program has a guaranteed interest rate that is determined annually by the Board. The rate is based on the average of 30-year U.S. Treasury notes for the period from March to February immediately preceding the plan year. The interest rate in 2002-03 is 5.5 percent.

Gain And Loss Reserve

Funds accumulate in the Reserve to credit interest to members' employee and employer accounts during years when the rate of return on investments is less than the guaranteed interest rate. Annual additions to the Reserve are determined by the Board on earnings in excess of those needed to credit the guaranteed interest rate and pay administrative costs. The Reserve is also used to ensure adequate funds are available in the Annuity Reserve, which is established to pay monthly annuity payments.

Additional Earnings Credit

After the end of the plan year, when the total investment earnings for the immediately preceding plan year are known, the Board may declare an additional earnings credit. Any additional earnings credit will be

applied to the balance of the credits in each member's account as of the last day of the plan year; however, the date upon which the additional earnings credit is applied to members' accounts is specified by the Board.

Additional Annuity Credit

After the end of the plan year when the total amount of investment earnings of the plan year are known and the Board has authorized an additional earnings credit to be applied to participants' employee and employer accounts, the Board may also authorize an additional annuity credit. The additional annuity credit shall be based upon the annuity of the participant or beneficiary for the plan year and shall be paid as a lump sum to the participant or beneficiary on the date specified by the Board.

Early Withdrawals

Both federal and state tax codes provide for tax penalties for certain early withdrawals. A 10 percent federal and 6 percent state tax penalty may be assessed for early withdrawals, in addition to the normal tax liability.

Rollover

Participants may be permitted to transfer funds from eligible retirement plans into the CB Benefit Program, as long as the transfers are allowable under applicable federal and state income tax laws.

Cash Balance Benefit Program Benefits

Retirement And Disability Benefits

The CB Benefit Program offers a retirement benefit and a disability benefit, if the Board determines the participant has a total and permanent disability. The following options are available for receiving either a retirement or disability benefit:

- ❖ A lump-sum benefit equal to the balance of credits in participant's employee and employer accounts. For retirement only, all of the lump-sum payment may be eligible to roll over into an IRA, defined contribution plan, or other eligible

retirement plan that accepts such rollovers.

Or

Participant may choose one of the following five annuities, if participant's account balance is \$3,500 or more:

- Single life annuity with a cash refund feature. Upon the retired participant's death, the balance of the participant's account will be paid in a lump sum to the participant's beneficiary;
- Single life annuity without a cash refund feature. Upon the retired participant's death, no other benefit will be payable to the participant's beneficiary under the CB Benefit Program;
- Joint and 100 percent to beneficiary with "Pop-Up." Upon the retired participant's death, the same monthly amount that was payable to the participant will be paid monthly to the participant's surviving beneficiary. If the participant's beneficiary predeceases the participant, an annuity will be paid to the participant in the form of the single life annuity with a cash refund feature;
- Joint and 50 percent to beneficiary. Upon the retired participant's death, one-half of the monthly allowance will continue to be paid to the participant's beneficiary. If the participant's beneficiary predeceases the participant, an annuity will be paid to the participant in the form of the single life annuity with a cash refund feature;
- Period certain annuity. The annuity will be paid in whole year increments over a period of three to ten years, as specified by the participant. If the participant's death occurs before the end of the period certain, the remaining balance of payments will be paid to the participant's beneficiary.

Reemployment After Retirement

If a participant is employed to perform creditable service subsequent to commencing a monthly annuity:

- ❖ Within one year and prior to age 60, the annuity will be terminated and a credit balance will be applied to the participant's account. The participant must reapply for subsequent retirement;
- ❖ After one year and age 60 or older, the annuity will continue and new contributions will be credited to the new participant's account. The participant must apply for subsequent retirement on the basis of the new account.

Retirement Eligibility

Normal retirement age is 60 and a participant may not retire earlier than age 55. To retire, a participant must terminate all creditable service in the CB Benefit Program and the DB Program and apply for a retirement benefit. Distribution of a retirement benefit must begin by age 70-1/2, unless the participant continues to perform creditable service.

Disability Eligibility

A participant may apply for disability at any time. All creditable service subject to coverage by the CB Benefit and DB Programs must be terminated prior to the disability date. A disability benefit will become payable only upon determination by the Board that the participant has a total and permanent disability.

Death Benefit

Death of Participant Prior to Retirement

Normal distribution is a lump-sum benefit. The sum of the balance of credits of the participant's employee and employer accounts is payable to the named beneficiary. If no valid beneficiary is designated, the lump-sum payment will be paid to the participant's estate.

Beneficiaries

A participant's beneficiary may elect to receive the benefit in the form of an annuity, provided the sum of the balance of credits in

the participant's account equals or exceeds \$3,500. The beneficiary may elect either a single life annuity without a cash refund feature, or a period certain annuity.

Death of Participant Receiving Annuity

Benefit payable in accordance with the form of annuity elected by participant.

Termination Benefit (Refund)

Upon termination of all creditable service subject to coverage by the Plan, for any reason other than death, disability, or retirement, a participant may apply for a lump-sum termination benefit. The benefit amount is equal to the sum of the employee and employer accounts, plus compounded interest as of the date the benefit is paid.

Waiting Period

The termination benefit is payable after one year has elapsed following the date of termination of employment. The application for the termination benefit will be automatically canceled if the participant performs creditable service within one year following the date of termination of employment.

Five-Year Rule

A participant may not apply for a termination benefit if less than five years has elapsed following the date that the most recent termination benefit was distributed to the participant.

Reemployment After Retirement

If the retiree is receiving an annuity for less than one year and becomes reemployed to perform creditable service under the CB Benefit Program prior to 60 years of age or after 60 years of age and within one year of his/her retirement date, the annuity must be terminated and the employee and employer accounts shall be credited with the respective balances that reflect the actuarial equivalent of the participant's retirement benefit as of the date of the reemployment.

If the retiree is receiving an annuity and becomes reemployed to perform creditable service under the CB Benefit Program on or after 60 years of age and has been receiving the annuity for at least one year, the annuity shall continue and the employee and employer contributions for the creditable service shall be made to the CB Benefit Program and shall be credited to new employee and employer accounts established on behalf of the participant.

Medicare Premium Payment Program Summary

Description

Starting July 1, 2001, CalSTRS pays the Medicare Part A (hospital) premiums for eligible retired DB Program members who do not qualify for Medicare Part A coverage on a premium-free basis. CalSTRS also pays the Medicare Parts A and B (medical) late enrollment surcharges for DB Program members who retired prior to January 1, 2001, for whom CalSTRS pays the Medicare Part A premiums and who enrolled in Medicare by July 2001. However, CalSTRS cannot pay any late enrollment surcharges for DB Program members who enrolled in Medicare after July 1, 2001. With authorization from the retired DB Program member, as a service CalSTRS will also deduct the Medicare Part B insurance premium from the member's allowance and forward the premium to the Center for Medicare and Medicaid Services, the federal agency that administers Medicare.

Program Eligibility Requirements

All DB Program members who retired prior to January 1, 2001, who enroll in both Medicare Parts A and B and do not qualify for Medicare Part A coverage on a premium-free basis are eligible for the Medicare Premium Payment (MPP) Program. In the May 2001 meeting, the Board extended the MPP Program to retired DB Program members who retire prior to January 1, 2006, provided that the DB Program members retired from districts that have completed or are in the process of completing a Medicare Division by the date of retirement. Members who retire after December 31, 2000 and before January 1, 2006, must retire during or after the actual 10-day period during which members have the opportunity to elect coverage by Medicare. Further, if the members were less than 58 years of age at the time of the election held after January 1, 2001, they must have elected Medicare coverage. The

Board has the authority to extend coverage to members retiring in the future. To participate in the MPP Program, members must submit a CalSTRS Medicare Payment Authorization Form along with a copy of their Notice of Medicare Premium Payment Due (Medicare bill).

The Federal Medicare Program

Federal Medicare health insurance comes in two parts: Medicare Part A and Medicare Part B. To be eligible for federal Medicare health insurance coverage, an individual must be at least 65 years old, a resident of the United States and a U.S. citizen or an alien who has been lawfully admitted for permanent residence. A few people under 65 years of age are also eligible. Most people do not pay for Medicare Part A, but they do pay for Medicare Part B.

Medicare Division Elections

CalSTRS members employed by school employers, including county offices of education, and hired before April 1986 were not required to pay the Medicare tax. However, employers could have held a Medicare Division, during which employees elected to pay the Medicare tax. If the employee chose to pay the Medicare tax (1.45% of pay), the employer also pays a matching Medicare tax. All employees hired after April 1986 must pay the Medicare tax. As of January 2003, approximately 300 school employers have not conducted a Medicare Division. The authority to conduct a division expires June 30, 2004.

There are a few employers for which all the employees hired prior to April 1986 are 58 years of age or more. In addition, there are some employers that unified or consolidated after April 1986. If the employees of these employers paid the Medicare tax after the consolidation, there is no need for the employer to hold a Medicare Division. The district must write a letter to CalSTRS to certify either of the above.

Enrollment Information Sent to Members

If members retire prior to attaining age 65, CalSTRS sends an enrollment packet to them approximately three months prior to their 65th birthday. If members retire on or after their 65th birthday, CalSTRS will send

an enrollment packet to the members within a month of their retirement. Members are also welcome to call the CalSTRS Public Service Office toll-free at 800-228-5453 to request an information packet about the CalSTRS MPP Program.

Voluntary Investment Program

Plan Description

CalSTRS' Voluntary Investment Program (VIP) provides a low-cost means for public school employees to invest on a tax-deferred basis to supplement their retirement. CitiStreet, LLC provides administrative services, which allows for Internet interaction for both VIP participants and CalSTRS staff, as well as provides a wide range of investment choices to participants and financial advice through the Internet or by speaking with a financial advisor.

The VIP now offers twelve core investment choices, which provide the best combination of risk, performance, cost and diversity for VIP participants. Additionally, the self-managed account is still an available investment choice and includes over 4,000 mutual funds, at least 600 of which do not impose any load or transaction fees.

The VIP also provides advisor services. Under this service, participants can access a modeling tool on-line or call a toll-free number and speak directly to a registered financial advisor to determine the appropriate asset allocation and level of investment necessary to achieve their retirement goals.

Investment Choices

The 12 core investment options, in order from lowest to highest risk, are:

- ❖ Citi Institutional Liquid Reserves Fund (Money market)
- ❖ Gartmore Morley Accumulation Fund (Stable value, available early 2003)
- ❖ Vanguard Total Bond Index Fund (Bond)
- ❖ Dodge & Cox Stock Fund (Large cap value)
- ❖ Vanguard Institutional Index Fund (S&P 500)
- ❖ Vanguard Total Stock Index Fund (Broad stock)
- ❖ Fidelity Growth Company Fund (Large-cap growth)
- ❖ Prudential Jennison Equal Opportunity A Fund (Mid-cap value)
- ❖ Delaware Trend Institutional Fund (Mid-cap growth)
- ❖ State Street Research Aurora A Fund (Small-cap value)
- ❖ Brown Capital Small Company Institutional Fund (Small-cap growth)
- ❖ Artisan International Fund (International stock)

Comparison

CalSTRS (DB Program)

CalPERS STATE EMPLOYEES – CalPERS CLASSIFIED SCHOOL EMPLOYEES (Tier 1) – Non-Safety

	CalSTRS: DB Program	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Eligibility For Membership	<ul style="list-style-type: none"> All certificated, charter school and community college faculty employees in public schools (K-14), whose basis of employment is 50% or more (mandatory membership) Part-time and substitute certificated and faculty employees hired to work less than one-half time may elect membership 	<ul style="list-style-type: none"> Non-teaching, non-certificated school employees working one-half time or more 	<ul style="list-style-type: none"> Non-safety state employees working one-half time or more Non-elected legislative employees
Normal Retirement Age	60	60	60
Vesting Requirement for: Service Retirement	5.000 years credited service Note: 30.000 years service credit required for retirement between ages 50-55	5.000 years credited service	5.000 years credited service
Disability Retirement Allowance	5.000 years credited service or 1.000 year credited service for disability resulting from a violent act occurring during the course of one's employment	5.000 years credited service (No vesting requirement for Industrial Disability)	5.000 years credited service (No vesting requirement for Industrial Disability)
Survivor Benefits	1.000 year service credit	Varies by age and service credit	Varies by age and service credit
Basic Death Benefit	<p>Active or disabled members who die before retirement and without pre-retirement option: A lump-sum death payment of \$6,163 or \$24,652 is payable to the designated beneficiary(ies), depending on coverage</p> <p>Retired or active members with a pre-retirement election: A lump-sum death payment of \$6,163 to beneficiary(ies)</p>	<p>Active members: Return of member contributions plus interest, plus up to 6 months' salary prorated 1 month per year of service</p> <p>Retired members: \$2,000 lump-sum death payment</p>	<p>Active members: Return of member contributions plus interest, 6 months' salary, and a \$5,000 lump-sum death payment.</p> <p>Retired member: \$2,000 lump-sum death payment</p>

Comparison (continued)

	CalSTRS: DB Program	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Benefit Formula Prior to Normal Retirement Age (Service Retirement)	1.100% @ age 50 1.160 @ age 51 1.220 @ age 52 1.280 @ age 53 1.340 @ age 54 1.400 @ age 55 1.520 @ age 56 1.640 @ age 57 1.760 @ age 58 1.880 @ age 59	1.100% @ age 50 1.280 @ age 51 1.460 @ age 52 1.640 @ age 53 1.820 @ age 54 2.000 @ age 55 2.064 @ age 56 2.126 @ age 57 2.188 @ age 58 2.250 @ age 59	1.100% @ age 50 1.280 @ age 51 1.460 @ age 52 1.640 @ age 53 1.820 @ age 54 2.000 @ age 55 2.064 @ age 56 2.126 @ age 57 2.188 @ age 58 2.250 @ age 59
Benefit Formula at Normal Retirement Age (Service Retirement)	2% @ age 60 (2% x final compensation x years of service credit)	2.314% @ age 60 (2.314% x final compensation x years of service credit)	2.314% @ age 60 (2.314% x final compensation x years of service credit)
Age Formula (Factor)	2.133 % @ age 61 2.267 @ age 62 2.400 @ age 63 and older	2.376% @ age 61 2.438 @ age 62 2.500 @ age 63 and older	2.376% @ age 61 2.438 @ age 62 2.500 @ age 63 and older
Career Bonuses:			
• Career Factor	Additional 0.2% with 30 or more years of service	No	No
• Longevity Bonus	Additional \$200/month with 30 years of service, \$300/month with 31 years of service, \$400/month with 32 or more years of service	No	No
Final Compensation	Highest average annual compensation earnable for 12 consecutive months for members with 25 or more years of service credit. Otherwise, highest three consecutive years unless district grants a one-year final compensation period.	Highest average compensation earnable for 12 consecutive months from CalPERS or reciprocal system	Highest average compensation earnable for 12 consecutive months from CalPERS or reciprocal system
Disability Formula	50% of final compensation (some exceptions in Coverage A)	Between 5-10 years of service, or 18½ or more years of service: 1.8% x years of service x final compensation. Between 10-18½ years of service: Allowance may be improved up to 33½% of final compensation. If eligible for service retirement, member will receive whichever is higher, service or disability allowance.	Between 5-10 years of service, or 18½ or more years of service: 1.8% x years of service x final compensation. Between 10-18½ years of service: Allowance may be improved up to 33½% of final compensation. If eligible for service retirement, member will receive whichever is higher, service or disability allowance.

Comparison (continued)

	CalSTRS: DB Program	CalPERS: Classified School Members	CalPERS: State Miscellaneous (Non-Safety) (Tier 1)
Automatic Cost-of-Living Adjustment	Fixed 2% annual simple	Up to 2% annual compounded	Up to 2% annual compounded
Purchasing Power Adjustment	Up to 80%	Up to 75%	Up to 75%
Credit for Unused Sick Leave	Yes	Yes	Yes
Golden Handshake: 2 Years Additional Service Credit	Yes, if governing board adopted resolution prior to 1/1/99	Yes, if approved by school district	Yes, by Governor's Executive Order (For Legislative employees, by resolution)
Health Benefits After Retirement	Provided only on a district-by-district basis. Districts may choose to provide PEMHCA coverage	Provided only on a district-by-district basis. Districts may choose to provide PEMHCA coverage	Provided if employee retires within 120 days after separation from a qualifying position. Must meet vesting requirements, if applicable. Employer contribution formula set by law.
Purchase of Service Credit:			
• Out-of-State Service	Yes	No	No
• Nonqualified	Yes	No	No
• Military	Yes	Yes	Yes
• Redeposit of Withdrawn Contributions	Yes	Yes	Yes
Miscellaneous:			
Board Ability to Adjust Employer Contribution Rate	No	Yes	Yes
Current Employee Contribution Rate	8%*	7%	Normal: In Social Security - 5% over \$513; not in Social Security - 6% over \$317; reduced contributions are currently in effect due to collective bargaining agreements.
Current Employer Contribution Rate	8.25%	2.894% for 2002-2003	7.413% for 2002-2003
Member Participation in Social Security	No	Yes	Yes

History Of CalSTRS Funding And Benefits

Summary

Chapter 694, Statutes of 1913 (AB 1263) established the Public School Teachers' Retirement Salary Fund as a function of the State Board of Education, effective July 1, 1913. CalSTRS was created to provide California teachers with a secure financial future during their retirement years and also to provide an incentive for them to stay in the teaching profession their entire working careers.

All certificated public school teachers, teaching superintendents, "supervising executives, or educational administrators" automatically became members of the retirement system when it was first established. Membership in the CalSTRS DB Program currently includes all employees in California public schools in positions requiring membership, from kindergarten through community college. With more than 715,000 members and benefit recipients, CalSTRS is the nation's largest public teachers' pension organization and the third largest public fund in terms of the Teachers' Retirement Fund's (TRF) market value. As of June 30, 2002, the TRF's market value was \$96.7 billion.

Funding History

1913

❖ When the retirement plan was founded in 1913, California public school teachers were granted retirement service credit for the service they had performed prior to that date. No contributions were required from the teachers or employers for the retirement credit that was granted for service performed prior to the establishment of the System. This caused the retirement plan to have an unfunded obligation from the beginning.

❖ Members were required to contribute \$12 per year.

❖ Employers made no contributions.

❖ State contributed 5 percent of the inheritance tax revenue for each fiscal year.

1935

❖ Member contributions were increased to \$24 per year.

❖ Employers commenced a contribution of \$12 per year per employee.

❖ State continued to pay 5 percent of the inheritance tax.

1944

❖ Member contributions changed to a percentage of salary depending on gender and age as of July 1, 1944 or later membership. The rate varied from 2.53 to 4.85 percent.

❖ Employer contribution rate continued at \$12 per year per employee.

❖ State's contribution rate was replaced by a pay-as-you-go funding mechanism. Under this approach, the State annually appropriated the amount needed over and above the current years' employer contribution to pay the pension portion of all allowances currently being paid.

1950, 1951 and 1955

❖ Member contribution rates were increased in these years, up to a range of 5.77 to 10.15 percent.

❖ Employer contributions did not change.

❖ State pay-as-you-go funding did not change.

1956

❖ Member contributions were increased to a range of 9.53 to 13.52 percent.

❖ Employer contribution rate of \$12 per year per employee was augmented by a 3 percent of salary contribution to be used on a pay-as-you-go basis to pay for current benefits. (The 3 percent contribution was limited by the assessed valuation of the school district. Because salaries grew faster

than the assessed valuation, the percentage of payroll declined year by year.)

- ❖ State's pay-as-you-go funding did not change.

1959

- ❖ Member contributions decreased to a range from 7.46 to 12.72 percent.

- ❖ Employer contributions did not change.

- ❖ State's pay-as-you-go funding did not change.

1962

- ❖ Member contribution rate decreased to a range from 6.13 to 11.86 percent.

- ❖ Employer contribution did not change.

- ❖ State's pay-as-you-go funding did not change.

- ❖ The unfunded actuarial obligation grew to \$3.6 billion.

1972 - E. Richard Barnes Act

- ❖ In 1970, estimates indicated that the State's pay-as-you-go annual appropriation would grow from \$71 million for fiscal year 1967-68, to \$245 million for 1979-80 and \$635 million in 1989-90. As the allowance rolls grew at an accelerating rate, it was believed that the System could not look forward with any certainty to continued receipt of the ever-increasing state appropriation. Legislation effective July 1, 1972 established the E. Richard Barnes Act and radically changed the funding of CalSTRS to long-range reserve funding (pre-funded basis).

- ❖ Members' variable contribution rate, which was averaging 7.4 percent, was changed to a flat 8 percent of salary.

- ❖ Employer contribution rate was averaging 2 percent in 1971-72 because of the assessed valuation limitation. The contribution rate was changed to a matching 8 percent of salary level.

- ❖ It was anticipated that the 16 percent total employee-employer contribution would fund future service in the redesigned program. However, to obtain passage of the

program, the employer contribution was graded-in from 3.2 percent in 1972-73 up to the full 8 percent in 1978-79. This alone reduced the System's long-term income by \$1.8 billion.

- ❖ State's pay-as-you-go contribution was replaced with a level \$130 million per year for 30 years to amortize the cost of benefits in force as of June 30, 1972. The cost of all prior service for current members was not funded and resulted in the System's unfunded actuarial obligation at that time.

- ❖ Another \$5 million for 30 years was added to the \$130 million to repay the CalSTRS reserves for a shortage in the 1971-72 state contribution.

1976

- ❖ Member contribution rate remained at 8 percent.

- ❖ Employer graded-in contribution rate did not change.

- ❖ A \$9.3 million state appropriation was added to the \$135 million appropriation for a total \$144.3 million annual appropriation. This increase was specifically tied to an ad hoc benefit increase.

1979

- ❖ As part of a major education financing bill in 1979, AB 8 by Assemblyman Leroy Greene addressed the funding of the CalSTRS unfunded actuarial obligation. First, the State's limited term \$144.3 million annual appropriation was changed to a perpetual appropriation, which was to be increased cumulatively or decreased beginning with the 1980-81 fiscal year by an amount which reflects the change in the CCPI in the preceding fiscal year.

- ❖ The second component of AB 8 was an ever-increasing appropriation of \$10 million in 1980-81 graded-up to \$280 million in 1994-95. The \$280 million would then be indexed by the CCPI starting in 1994-95. Initially, the new funding was to have been \$100 million commencing in 1980-81 with CCPI indexing beginning in the 1981-82 fiscal year. It was necessary, however, to

change to the graded-in appropriation to obtain Legislative approval of the unfunded obligation funding.

1980

- ❖ 0.307 percent was paid directly to CalSTRS from the General Fund to fund an ad hoc benefit increase for pre-June 30, 1973 retirees. No sunset date on funding was established.

1981

- ❖ 0.108 percent was paid directly to CalSTRS from General Fund to fund an ad hoc benefit increase for pre-January 1, 1980 retirees. A funding sunset date of December 31, 1996 was established.

1985

- ❖ Permanent funding of 0.25 percent was established for the conversion of unused sick leave to CalSTRS credit. The General Fund appropriated the funds to the TRF for the 1985-86 fiscal year.

1989

- ❖ A funding stream from the General Fund equal to 2.5 percent of prior year teacher payroll was established to provide for supplemental payments to maintain 68.2 percent of the purchasing power of allowances.

1990

- ❖ In 1990-91, AB 8 contributions totaled approximately \$475 million; \$275 million from the first component and an additional \$200 million from the second component. This represented approximately 4.6 percent of payroll at that time; however, future years' contributions were a declining percentage of payroll estimated to be just above 2 percent by fiscal year 2032-33.

- ❖ The General Fund contribution of .25 percent of member salaries for the conversion of unused sick leave to CalSTRS credit was repealed and became the responsibility of the employer.

- ❖ Another "fix" was viewed as critical to stem the ever-growing unfunded actuarial obligation. When AB 8 was enacted in 1979, it was an attempt to improve the funding of

CalSTRS, specifically to reduce the unfunded actuarial obligation. CalSTRS, however, continued to operate with a normal cost deficit that was at 0.94 percent, or approximately \$130 million, in 1990. The normal cost deficit had, for years, continued to roll new debt into the unfunded actuarial obligation.

- ❖ The CalSTRS consulting actuary recommended the Board support legislation to change the indexing of the then AB 8 contributions from the CCPI to the ratio of total teacher payroll in the previous year's payroll. Projections conducted by the actuary at that time indicated that the AB 8 indexing to CCPI methodology would allow the unfunded actuarial obligation to grow without limit. If indexing were changed to teacher payroll, the unfunded actuarial obligation would continue to grow for about 25 years but at a slower rate, then begin to decline and be eliminated in about the 39th year.

- ❖ Calculations conducted in 1990 indicated a level 4.2 percent of prior teacher payroll would be sufficient to fund the unfunded actuarial obligation within a reasonable period - 45 years - and stem the normal cost deficit. Negotiations in the deliberation of the new indexing resulted in suspending all General Fund contributions for one year (1990-91); therefore, the General Fund contribution was increased to 4.3 percent to fund the additional liability without further extending the funding period.

- ❖ The Legislature passed, and the Governor signed into law, the Elder State Teachers' Retirement Full Funding Act to provide a General Fund appropriation of 4.3 percent of prior year payroll to fund first the normal cost deficit, then any remaining unfunded actuarial obligation.

1998

- ❖ In March of 1998, the CalSTRS actuary completed its actuarial valuation of the TRF and determined that the fund assets represented 97 percent of its liabilities. In addition, if the Board's assumptions were

realized, the unfunded liability would be eliminated by June 30, 2000. Once the unfunded liability was eliminated, the 4.3 percent of payroll used for this purpose would decline by .25 percent per year to fund any normal cost deficit and would decline at that rate to 0 percent if there was no normal cost deficit. In addition, a .25 percent contribution rate by employers for unused sick leave and a rate of .307 percent of payroll paid by the General Fund for an ad hoc benefit would no longer be needed.

❖ As a result of this finding, an opportunity existed to use the General Fund money that had been appropriated to the TRF for purposes of retiring the unfunded liability for improved benefits. Following an analysis of CalSTRS' existing benefits and the benefits available to other retirement systems, the administration agreed to use a portion of the General Fund contribution for benefits, which were designed to recruit and retain teachers to accommodate increased demands for teachers. Specifically, the administration agreed that 65 percent of the 4.3 percent of payroll could be applied for that purpose. In addition, the .25 percent of payroll that had been levied on employers for unused sick leave credit and the .307 percent of payroll to fund an ad hoc benefit would continue to assist in funding the new benefits.

❖ In addition to these changes, funding would continue from the General Fund to eliminate the current remaining unfunded liability in the TRF. The actuary determined that the unfunded liability would be eliminated in 30 years, if the contribution for that purpose were reduced to .524 percent of payroll.

❖ AB 2804 enacted all of the TRF funding agreed to by the administration. Specifically, an amount equal to 3.102 percent (65 percent of 4.3 percent, or 2.795 percent, plus .307 percent) is transferred each year from the General Fund to the TRF to fund increased benefits. The .25 percent contribution by employers also is continued to fund the conversion of unused sick leave to service credit for all employees. Finally,

if there is an unfunded liability associated with the benefits in effect as of June 30, 1990, an additional amount, initially equal to .524 percent of payroll, is transferred from the General Fund. Once that unfunded liability and the normal cost deficit attributable to benefits in effect as of July 1, 1990 are eliminated, the transfer is also eliminated. If the unfunded liability should return, a transfer from the General Fund is resumed, increasing at the rate of .25 percent of payroll per year, up to a maximum of 1.505 percent (4.3 percent less the 2.79 percent being used for benefits).

2000

❖ AB 2700 reduced the General Fund appropriation to the DB Program from 3.102 percent of creditable compensation in the prior calendar year to 2.5385 percent in 2000-01 and 1.975 percent in 2001-02. Beginning in 2003-04, the General Fund contribution will be 2.017 percent of total creditable compensation of the fiscal year ending in the prior calendar year. This reduced the General Fund transfer to the DB Program by 35 percent beginning January 1, 2001. This reduced contribution rate is equal to the current normal cost of benefits that became effective January 1, 1999. In addition, the DB Program will continue to be protected against adverse experience in the pre-1990 benefits.

Benefit Structure

1913

❖ The initial retirement pension was \$500 per year and was paid in quarterly installments of \$125.

❖ A teacher was required to have 30 years of teaching service – at least half of which, including the 10 years prior to retirement, was in California schools.

❖ Eligibility for disability benefits required 15 years of California teaching service and benefits were prorated for actual years of service.

❖ Survivor benefits were not provided under the original benefit structure.

1935

❖ Retirement benefits increased to \$600 per year.

1944

The first of several major redesigns to the System resulted from legislation passed in 1944:

❖ Disability benefits were improved and all retirees with 30 years of credited service were guaranteed a minimum retirement allowance of \$60 per month.

❖ Age 63 was established as the normal retirement age with specified reductions for early retirement, starting at age 58.

❖ Vesting changed from 30 years to 10 years of service.

1950s

Benefits were broadened in the 1950s:

❖ Normal retirement age was dropped from 63 to 60 and the early retirement age from 58 to 55.

❖ First death benefit program was established, with benefits fixed at one month's salary for every year of service (up to a maximum of six months salary/six years of service).

❖ In 1953 the minimum retirement allowance was raised from \$60 to \$170 per month (for those who retired at age 60 or older with 30 years of credited service).

The second major redesign occurred in 1956:

❖ Benefits were now calculated based on a fixed percentage (1.667 percent) of final compensation for each year of credited service, rather than on accumulated earnings. The new calculation method tied benefits to changing economic conditions (final compensation) and not fixed dollar values (accumulated contributions).

❖ In 1958, vesting was reduced from 10 years to its present five-year minimum.

❖ In 1959, the first Survivor Benefits program to provide continuing benefits for the dependent children and spouses of deceased members was established.

1960s

No benefit increases were implemented. However, significant administrative efficiencies were accomplished; the first CalSTRS tax-sheltered annuity program was created in 1963.

1970s

❖ Benefit rolls grew at a rapid pace, but benefit values fell and CalSTRS was faced with a \$3.6 billion accrued liability. Dramatic change was needed and the E. Richard Barnes Act was established.

❖ The Barnes Act established the basic benefit structure as summarized below:

- Benefit formula - 2 percent of final compensation at age 60;
- \$2,000 lump-sum death benefit;
- Family Allowance program;
- Disability benefit - 50 percent of final compensation;
- 2 percent simple COLA.

❖ In 1979, an ad hoc benefit increase was provided for members who retired prior to June 30, 1973.

1980s

❖ The minimum unmodified allowance was provided to guarantee no less than \$16/month for each year of service credit for pre-January 1, 1981 retirees.

❖ In 1981, a minimum unmodified allowance was provided to guarantee no less than \$18/month for each year of service credit for pre-January 1, 1982 retirees.

1986

❖ Converted to unisex option factors.

1989

❖ A funding stream for 68.2 percent purchasing power benefits was established.

1992

❖ CalSTRS' Disability and Survivor Benefits Programs were restructured to comply with the federal Older Workers Benefit Protection Act (also known as "Betts"):

Survivor Benefits

Lump-Sum death benefit (Coverage A): A \$5,000 lump-sum death payment, to be increased following each biennial actuarial valuation based on changes in the CCPI.

Survivor Benefit (Coverage B): A \$20,000 lump-sum death payment upon the death of an active member, to be increased following each biennial actuarial valuation based on changes in the CCPI.

❖ In addition to a \$5,000 lump-sum death payment, the surviving spouse may receive either a monthly allowance or a return of the member's contributions plus interest:

- Disability Allowance (Coverage A): Member who qualifies for a disability allowance receives the allowance as long as the disability exists up to age 60. At age 60, the allowance is terminated and the member is eligible to apply for service retirement. A disability allowance may continue beyond age 60 only if there are eligible children and the member remains disabled.

- Disability Retirement (Coverage B): Is applicable to all DB Program members hired on and after October 16, 1992. A member who qualifies for a disability retirement allowance is considered retired and receives the allowance as long as the disability remains, without respect to age. Upon return to full-time employment or if the member is found to be no longer disabled, the allowance is stopped and the member is reinstated to active status.

1997 and 1998

❖ The level of purchasing power protection was increased to 75 percent.

❖ The age factor in the retirement benefit formula for members who retired on or after January 1, 1999, was increased to a maximum of 2.4 percent at age 63. In addition, members with 30 or more years of credited service received an increase of .2

percent in the formula, up to the maximum age factor of 2.4 percent.

❖ Members retiring on or after January 1, 1999, could convert their unused sick leave to service credit when retiring, regardless of when they became members.

❖ Members who taught in a public school in another state or territory were allowed to purchase up to 10 years of service associated with that prior service, beginning in 1999. In addition, vested members can buy up to five years of additional credit, without regard to any prior service.

1999

❖ The minimum allowance for members who retired prior to January 1, 2000 was increased to \$15,000 per year with 20 years of credited service, increasing annually to \$20,000 with 30 years of credited service.

❖ CalSTRS was required to develop a program to provide health care benefits to members and their beneficiaries, children and parents, as specified.

2000

❖ DBS Program: Beginning January 1, 2001 through January 1, 2011, 25 percent of a member's contribution was allocated to the member's CalSTRS DBS Program account. At retirement, the contributions, plus interest, will be available to the members as a lump sum or annuity.

❖ For members retiring on or after January 1, 2001, with 30 or more years of service credit by January 1, 2011, CalSTRS began applying a longevity bonus to their monthly allowance; \$200/month with 30 years of service; \$300/month with 31 years of service; and \$400/month with 32 or more years of service.

❖ Members with 25 or more years of service credit have their benefits calculated on the highest average annual period of 12 consecutive months of compensation. For members with fewer than 25 years of service credit, the highest 36 months of compensation continues to be used.

❖ CalSTRS began paying Medicare Part A premiums and any applicable surcharges, for members who retired prior to January 1, 2001, if they do not otherwise qualify for it. The Board may extend this benefit to eligible active members who retire after January 1, 2001.

❖ Members who retire after April 1, 2002 could receive a partial lump-sum distribution of their benefit, subject to an actuarial reduction in the monthly allowance. The amount of the resulting reduction in monthly allowance cannot exceed 15 percent.

❖ The post-retirement earnings limitation increased to \$22,000 per fiscal year. Exemptions to the limitation now include:

- A member who returns to teaching without performing CalSTRS-covered service for at least one year after the retirement date (exemption ends January 1, 2008);
- A member who retired prior to July 1, 2001 and returned to teaching to provide remedial education in a grades 2-12 classroom;
- A member who returns to teaching to provide direct classroom instruction in a K-12 class or provides support, assesses new teachers in the Beginning Teacher Support and Assessment Program, or provides support to individuals completing student teaching assignments in the Pre-Internship Teaching Program or School Para-professional Teacher Training Program is exempt from the limitation from July 1, 2000, through July 1, 2005.

2001

❖ The level of purchasing power protection increased to 80 percent.

❖ Members who retire for service, reinstate and perform creditable service for two years following reinstatement from a prior retirement, receive a service retirement allowance by applying the benefit formula in effect at the time of the subsequent retirement to all the member's service.

2002

❖ Beginning January 1, 2003, DB Program retired members who are receiving an allowance under Options 6 or 7 are allowed to name a new option beneficiary after a member's option beneficiary dies; a participant of the CB Benefit Program and member of the DBS Program are allowed to designate a new annuity beneficiary after a participant's/member's designated annuity beneficiary dies, if the participant/member selected a joint and survivor annuity.

❖ The basis for calculating the post retirement earnings limitation changed from the CCPI to the average earnable salary of active members. As a result, the limitation for fiscal year 2002-03 was increased to \$24,934.

❖ The Board extended the eligibility for the payment of Medicare Part A premiums to retired DB Program members who retire prior to January 1, 2006, if they retire from districts that have held, or are in the process of holding, a Medicare Division.

❖ Contributions on service greater than one year and for compensation for limited term enhancements and retirement incentives will be credited to the member's DBS Program account.

General Fund Contributions to CalSTRS

The State General Fund has contributed money to CalSTRS since the Plan's inception in 1913. Until 1972, contributions by the State were on a pay-as-you-go basis. In 1972, as part of a major reform of the Plan, the contribution was changed to pre-fund the plan liabilities. The basis of the State's contribution was changed again in 1990. Since 1990, General Fund contributions have been based on the prior year's payroll covered by CalSTRS.

Education Code Section 22955 requires the General Fund to contribute 1.975 percent of the creditable compensation of the immediately preceding calendar year upon which members' contributions are based in 2001-02 and 2002-03. Beginning in 2003-04, the General Fund contribution will be 2.017 percent of total creditable compensation of the fiscal year ending in the prior calendar year (i.e., creditable compensation in 2001-02 for the 2003-04 fiscal year). This continuous appropriation is calculated annually on October 1 and deposited quarterly into the TRF to assist in financing the 1998 legislated benefit increases payable under the DB Program. Up to an additional 1.505 percent of calendar year payroll is transferred to the TRF to amortize the unfunded actuarial obligation and to eliminate any normal cost deficit attributable to benefits in effect as of July 1, 1990. The normal cost deficit is the difference between the normal cost rate and member and employer contributions, which equal 16.25 percent of creditable compensation. Based

on the most recent actuarial valuation, as of June 30, 2001 there is no normal cost deficit for benefits in effect as of July 1, 1990.

In October of each year, the CalSTRS Accounting Office obtains the creditable earnings from the monthly reports of retirement contributions submitted by employers to the Reporting section at CalSTRS. Accounting totals the prior calendar year and the current calendar year payrolls and provides this information to the CalSTRS Budget Office. The Budget Officer then shares both totals with the Department of Finance (DOF) analyst.

The DOF analyst estimates the amount to be appropriated to the TRF for inclusion in the Governor's budget and adjusts the previous calendar year's total. A May revision of the budget is completed due to the fact that the additional data are available. The DOF analyst makes a final adjustment based on the additional payroll data.

In June, the Budget Officer prepares a "Transfer Of Funds" letter to the State Controller's Office (SCO). The DOF directs the SCO to transfer the funds to the TRF regardless of whether or not the budget has been signed. The SCO will deposit funds into the TRF quarterly.

The Accounting Office works with the SCO to ensure that the transfers are made. A final adjustment is made immediately prior to the October 1 transfer, based upon the complete data that are then available.

Supplemental Payments

Purchasing Power

Inflation can significantly deteriorate a person's ability to maintain a consistent standard of living after retirement. Inflation is generally measured by changes in the average prices of selected goods and services. As inflation rises, the value of money decreases because it purchases fewer goods and services. A decline in the purchasing power of money is another way to define inflation.

The higher the rate of inflation, the greater the drop in the purchasing power of money; for example, if wages remain the same but prices double, the current purchasing power of wages is only 50 percent of the purchasing power of those same wages prior to the price increases. In this situation, wages must double to maintain the same purchasing power.

CalSTRS measures the purchasing power level of allowances by the change in the CCPI published by the Department of Industrial Relations, Bureau of Labor Statistics. The cumulative change in the CCPI from each year in which benefits have become effective since 1955 is displayed in Attachment A on page 33.

Two Percent Simple Benefit Adjustment

(Education Code Sections 22140, 22141 and 24402)

The CalSTRS DB Program provides an automatic 2 percent simple benefit adjustment to allowances payable to all benefit recipients to provide some protection against the effects of inflation. This annual "benefit improvement factor" is applied September 1 of each year following the first anniversary of the effective date of the benefit.

There are two other sources of funds that provide additional purchasing power protection for CalSTRS benefit recipients through "supplemental benefit payments." These are School Lands Revenue and the

SBMA. Supplemental payments are made quarterly from these funds on October 1st, January 1st, April 1st and July 1st. It is important to remember that these payments are not guaranteed and will continue only as long as funds are available.

School Lands Revenue

(Education Code Sections 24412 and 24413)

Since 1983, it had been the intent of the Legislature and the Board to maintain the level of purchasing power of CalSTRS allowances to a minimum of 75 percent of the purchasing power of the initial allowance. To fulfill this intention, revenue generated from the use of State School Lands (land granted to California by the federal government to support schools) and Lieu Lands (properties purchased with the proceeds from the sale of School Lands) during the prior year is transferred to CalSTRS each year for the purpose of providing annual supplemental payments in quarterly installments. In 1997, legislation was enacted to provide 75 percent purchasing power from the SBMA. Chapter 840, Statutes of 2001 provides for up to 80 percent purchasing power.

This revenue is distributed on a pro-rata basis to all benefit recipients whose initial allowances have fallen below the 80 percent purchasing power level. Because the revenue from School Lands does not generate enough income to bring the purchasing power of all CalSTRS allowances to at least 80 percent, the available revenue is distributed on a proportional basis to all eligible benefit recipients. The amount of the School Lands payment for each benefit recipient depends on the:

1. Amount of money available from School Lands that year;
2. Number of benefit recipients whose allowance purchasing power is below 80 percent;

3. Increase in the CCPI.

For example, if School Lands revenue is only sufficient to provide 5 percent of the amount needed to bring all allowances up to a minimum of 80 percent of the purchasing power of the initial allowance, each eligible benefit recipient will receive 5 percent of the amount needed to restore their purchasing power to 80 percent from School Lands revenue.

In 2002-2003, School Lands revenue is providing only 1.2 percent of the amount needed to restore the purchasing power of allowances payable to all benefit recipients to a minimum of 80 percent. Therefore, each eligible benefit recipient receives a supplemental payment paid from School Lands revenue equal to 1.2 percent of the amount necessary to raise the purchasing power of the allowance to 80 percent.

Since School Lands revenue for 2002-2003 is not sufficient to raise the purchasing power of each CalSTRS allowance to a minimum of 80 percent of the purchasing power of the initial allowance, the SBMA is used to make up the difference.

Supplemental Benefit Maintenance Account

An amount equal to 2.5 percent of the prior calendar year CalSTRS'-covered member payroll is transferred each year from the State General Fund to the SBMA in the TRF. The SBMA provides annual supplemental payments in quarterly installments to all benefit recipients whose purchasing power has fallen below 80 percent of the purchasing power of the initial allowance, as long as funds are available.

Both the School Lands revenue and SBMA provide authority to make supplemental payments sufficient to bring purchasing power up to 80 percent of the purchasing power of the original allowance and the funding from the General Fund equal to 2.5 percent of payroll is guaranteed. The 80 percent level of supplemental payments, however, is not vested. This means that if the combined funding from both sources is

not sufficient to bring purchasing power up to the 80 percent level, supplemental payments may have to be paid at a lower level. However, based upon our assumptions, the funding for an 80 percent supplemental payment is sufficient for well in excess of 30 years.

The amount of the supplemental payment from SBMA for each benefit recipient depends on:

1. The extent to which the benefit recipient's allowance has fallen below 80 percent of the purchasing power of the initial allowance;
2. The amount of the supplemental payment provided from School Lands revenue.

Estimation of Supplemental Payments

A benefit recipient can estimate his or her supplemental payments. It is first necessary to calculate the purchasing power of the current CalSTRS allowance. This may be accomplished by using the following information:

Initial Allowance – Identified by “Initial Date/Allow” on the Direct Deposit Advice/Check stub just below the Social Security Number

Benefit Effective Date – Identified by “Initial Date/Allow” on the Direct Deposit Advice/Check stub just below the Social Security Number

Current Allowance – The sum of the Normal Allow and COLA on the Direct Deposit Advice/Check stub;

And

Changes in the CCPI – Determined by dividing the CCPI for June of 2002 by the CCPI for June of the calendar year of retirement. Attachment A provides the result (Purchasing Power Factor) of this division for each calendar year of retirement.

Purchasing Power Percentage of the Current Allowance

The example below uses the following data to calculate the current purchasing power percentage:

Initial Allowance:	\$1,000
Benefit Effective Date:	July 1, 1975
Current Allowance:	\$1,540
CCPI Factor:	3.575

In this example, the benefit effective year is 1975 and the corresponding CCPI factor is 3.575. (The change in CCPI is determined by dividing the CCPI for June of 2002 by the CCPI for June of the calendar year of retirement, which, in this example, is 1975).

The purchasing power of the current allowance is determined as follows:

A. Obtain the CCPI Factor for the benefit effective year: 3.575

B. Multiply the initial allowance by the Purchasing Power Factor to obtain the **Fully Adjusted Allowance**. This is what the current allowance amount would be if it had been adjusted to keep pace with inflation since the Benefit Effective Date.

$$\$1,000 \times 3.575 = \$3,575.00$$

C. Divide the Current Allowance by the Fully Adjusted Allowance to calculate the **Current Purchasing Power Percentage**.

$$\$1,540.00 / 3,575.00 = 43.08\%$$

Note: If the Current Purchasing Power Allowance percentage is greater than 80 percent, no supplemental payments will be made.

Total Quarterly Supplemental Payment

The total supplemental payment is determined as follows:

A. Multiply the fully Adjusted Allowance by .80 to calculate the 80 percent Purchasing Power Amount

$$\$3,575.00 \times .80 = \$2,860.00$$

B. Subtract the Current Allowance from the 80 percent Purchasing Power Amount to determine the **Supplemental Payment Monthly Amount**, the monthly payment amount that would be needed to restore the purchasing power allowance to the 80 percent level.

$$\$2,860.00 - \$1,540.00 = \$1,320.00$$

C. Multiply **Supplemental Payment Monthly Amount** by three (3) months to determine the **Total Quarterly Supplemental Payment**.

$$\$1,320.00 \times 3 = \$3,960.00$$

Important Information About Supplemental Payments for 2002-2003

As you will notice from the **Factors for Calculating 2002-2003 Purchasing Power** (Attachment A), the CCPI on June 2002 was 185.9. This was only a slight increase from the 2001 index of 183.2. CalSTRS provides an annual 2 percent simple benefit improvement factor, or COLA. This means for many members, the 2 percent simple benefit improvement increase effective October 1, 2002 will bring the purchasing power of the allowance up to or in excess of the 80 percent level. In some cases, members who received a Supplemental Payment in 2001 will not be eligible for one in 2002, or the Supplemental Payment that is received in 2002 may be slightly less than the one that was received in 2001. This is because inflation was lower than the COLA between June 2001 and June 2002, which made the purchasing power of the allowance slightly greater in 2002 than it was in 2001.

It is important to realize that Attachment A is only provided as a means to **estimate** the Supplemental Payment. Because the calculation in this document has been simplified to utilize the fields as they are displayed on the Direct Deposit Advice or Check stub, in most instances the estimate derived from this document will be less than the actual Supplemental Payment received.

**California State Teachers' Retirement System
Supplemental Payments
Factors for Calculating 2002/2003 Purchasing Power
All Urban California Consumer Price Index
Attachment A**

<u>Year</u>	<u>June CCPI</u>	<u>Purchasing Power Factor*</u>
1955		7.233
1956	25.7	7.095
1957	26.2	6.860
1958	27.1	6.616
1959	28.1	6.523
1960	28.5	6.388
1961	29.1	6.302
1962	29.5	6.197
1963	30.0	6.156
1964	30.2	6.036
1965	30.8	5.883
1966	31.6	5.791
1967	32.1	5.650
1968	32.9	5.420
1969	34.3	5.164
1970	36.0	4.905
1971	37.9	4.718
1972	39.4	4.590
1973	40.5	4.354
1974	42.7	3.947
1975	47.1	3.575
1976	52.0	3.368
1977	55.2	3.124
1978	59.5	2.878
1979	64.6	2.618
1980	71.0	2.232
1981	83.3	2.063
1982	90.1	1.887
1983	98.5	1.876
1984	99.1	1.794
1985	103.6	1.715
1986	108.4	1.657
1987	112.2	1.598
1988	116.3	1.528
1989	121.7	1.450
1990	128.2	1.384
1991	134.3	1.327
1992	140.1	1.280
1993	145.2	1.248
1994	148.9	1.234
1995	150.7	1.206
1996	154.2	1.187
1997	156.6	1.162
1998	160.0	1.136
1999	163.6	1.108
2000	167.8	1.068
2001	174.0	1.015
2002	183.2	1.000
	185.9	

*The Purchasing Power Factor is obtained by dividing the CCPI for June of 2002 by the CCPI for June of the calendar year of retirement.

Estimation Worksheet

Quarterly Payments

■ Current Allowance Purchasing Power Percentage

1. $\frac{\text{Initial Allowance Monthly Amount}}{\text{Purchasing Power Factor for the Benefit Effective Year}} = \text{Fully Adjusted Allowance (a)}$
2. $\frac{\text{Current Allowance Monthly Amount}}{\text{Fully Adjusted Allowance (a)}} = \text{Current Purchasing Power Percentage}$
(Must be less than 80% to proceed)

■ Total Supplemental Benefit Payment

1. $\frac{\text{Fully Adjusted Allowance (a)}}{\text{Purchasing Power Percentage}} = \text{Total Purchasing Power Amount}$
2. $\text{Total Purchasing Power Amount} - \text{Currently Allowance Monthly Amount} = \text{Supplemental Payment Monthly Amount}$
3. $\frac{\text{Supplemental Payment Monthly Amount}}{\text{Number of months in a quarter of a year}} = \text{Total Quarterly Supplemental Payment (b)}$

Status of the School Land Bank Fund

(Prepared by State Lands Commission staff in 2003)

Background

Upon achieving statehood, the federal government granted approximately 5.5 million acres of land to California to be used for the support of schools. This land consisted of the sixteenth and thirty-sixth section of each township. Approximately 90 percent of the school lands were sold prior to the creation of the State Lands Commission (SLC) in 1938. Proceeds were used primarily to pay for school construction. In 1984, the California Legislature directed that school lands be retained and managed by the SLC to generate revenue to provide COLAs for retired teachers.

The school lands are difficult to manage because they are broken up into noncontiguous, square-mile parcels. The Legislature found the “consolidation of school land parcels into contiguous holdings is essential to sound and effective management” (Section 8702 of the Public Resources Code). Consequently, the Legislature authorized the SLC to sell the isolated, non-economic school lands and use the funds from the sales to purchase real property that will generate additional revenues to benefit California’s retired teachers. Proceeds from sales are required to be held in trust by the Commission for the teachers and are deposited in the School Land Bank Fund (SLBF).

California Desert Protection Act of 1994

On October 31, 1994, the California Desert Protection Act (CDPA) was signed into law by the President of the United States (Public Law 103-433). The CDPA designated 3.6 million acres in southern California as wilderness to be administered primarily by the Bureau of Land Management (BLM),

and designated an additional 4 million acres in southern California for inclusion in the national park system.

The purpose of the CDPA is to set aside areas in the California desert to protect its natural, cultural, scenic and historical values, and to provide for public enjoyment. 442 parcels (approximately 251,000 acres) of fee-owned school lands and over 100 parcels encumbered by the State’s reservation of mineral interests were identified within the boundaries of the CDPA.

Section 707 of the CDPA provides for the exchange of school lands in holdings within these designated areas for other federal lands. The SLC receives compensation for the exchange of its fee and mineral interests on a value-for-value basis determined by fair market appraisals. Compensation for the State’s assets may be made in various forms, including cash or exchange for other lands.

To date, there have been four CDPA land exchange transactions completed between the SLC and the BLM. The four transactions have resulted in the sale or exchange of approximately 63,700 acres of school lands and have generated over \$14.2 million for the SLBF.

There are several additional transactions nearing completion, which are anticipated to generate over \$2.4 million dollars for the SLBF. The completion of these transactions will leave a balance of approximately 185,000 acres of school lands valued at nearly \$28 million within the designated national parks, monuments, preserves and wilderness areas available to exchange with the BLM.

School Land Bank Fund Balance

The SLBF has accumulated over \$43 million. The Commission staff anticipates receiving requests for land exchanges and

land sales throughout the year, including CDPA land transactions resulting in additional growth of the SLBF.

School Land Bank Fund Investment Activities

With the enactment of the School Land Bank Fund Act of 1984, the Commission was given the authority, as trustee for the SLBF, to select and acquire real property or any interest in real property using funds contained in the SLBF with the objective of facilitating management of school lands for the purpose of generating revenue. To

accomplish this objective, the Commission has contracted with consultants to review and analyze potential investment alternatives for the SLBF monies. Among the investment areas being explored are a proposed state office building near Eureka, various agricultural property investments, ground leasing a school land parcel in Barstow for commercial development and other ground leasing possibilities throughout California. In addition, other real estate investment alternatives will continue to be considered as possible investment avenues for SLBF monies.

Sale of Elk Hills Naval Petroleum Reserve

Description

The Elk Hills Naval Petroleum Reserve is comprised of school lands that were granted by the Federal Government when California entered the Union in 1850:

- ❖ One of three naval petroleum reserves set up by the Government before World War I;
- ❖ Sits on 47,000 acres located 28 miles west of Bakersfield, California;
- ❖ Produces 60,000 barrels of oil and 390 million cubic feet of natural gas each day;
- ❖ Holds 600 million barrels of oil and 1.9 trillion cubic feet of natural gas in reserve;
- ❖ Chapter 68, Statutes of 1996 (SJR 27, Costa) memorialized the President and the Congress of the U.S. to sell the Elk Hills Naval Petroleum Reserve Number 1 while recognizing the State's valid claim to two school land sections within the Reserve and to compensate the State's retired teachers for their interest.

CalSTRS' Interest In Elk Hills

- ❖ The State of California and federal government had 78 percent interest in this reserve (school lands), with the remaining 22 percent of Elk Hills owned by Chevron Corporation in San Francisco.
- ❖ CalSTRS sold their 9 percent interest of the net proceeds to benefit California's retired teachers.

Terms Of The Sale

- ❖ Occidental Petroleum purchased the Reserve October 6, 1997 for \$3.65 billion (an all-cash deal). Occidental sold their interest in MidCon for \$3 billion, of which \$2 billion funded the Elk Hills acquisition. Expenses of the sale are estimated at \$50 million; the deadline for the close of the sale

was February 10, 1998, as mandated. A settlement agreement was reached between California, the U.S. Department of Energy and Occidental Petroleum to ensure the State's interests are properly protected in the event Congress fails to appropriate all installments due to the State, which would result in the State renouncing its 9 percent settlement with DOE and suing Occidental Petroleum for the State's claim.

This agreement was subject to:

- A Justice Department antitrust review;
- Completion of the environmental impact assessment process;
- A 31-day Congressional review period.

The State should receive \$324 million for the TRF in seven annual installments, in each of the Federal Government's fiscal years (FFY), the 1st through September 30th, under the terms of the settlement (due by the later of the 180th day of the fiscal year or 60 days after the funds are appropriated by Congress and become available) between the State and DOE as follows:

FFY	AMOUNT
1999	\$36 million (paid)
2000	\$36 million (paid)
2001	\$36 million (paid)
2002	\$36 million (paid)
2003	\$36 million
2004	\$72 million
2005	\$72 million

The \$324 million has been set-aside in an escrow account for California as Congress directed. CalSTRS role is to:

- ❖ Ensure that these appropriations for the settlement payments are included in the President's budget that he submits to Congress in January of each year prior to the year that the payments are due (the

Secretary of Energy is contractually obligated to request this from the President);

And

❖ Pursue efforts to gain attention from members of the House Appropriations Committee to strongly push to ensure that the appropriation for the annual installments of the State's compensation claim moves through the House and Senate.

Benefits To Retired Teachers

As directed by the California Legislature, school lands revenue supports "purchasing power" protection for retired teachers. The increase in school land revenue attributable to the sale of the reserve permitted an increase in purchasing power protection. This increase was authorized in Chapter 939, Statutes of 1997 (SB 1026, Schiff), which provides purchasing power protection of up to 75 percent of a retired member's purchasing power from the 2.5 percent annual General Fund contribution. Purchasing power protection was again

increased to 80 percent with the enactment of Chapter 840, Statutes of 2001 (AB 135-Havice).

Current Status Of Sale Proceeds

The federal government collected the \$3.65 billion sales proceeds from Occidental Petroleum and saved approximately \$84 million (direct operational savings that have evaporated from the budget baseline) in fiscal year 1999. The Defense Authorization Act requires that 9 percent of the sales proceeds be held in an escrow account for use in paying the State's claim. However, from Congress' standpoint, the compensation payment is being treated as a new spending program that must compete for funds along with other existing programs. The agreed upon funding was approved for the 2002 fiscal year in the fiscal year 2002 interim appropriations legislation, which provided funding for the fourth \$36 million Elk Hills installment, which was due October 21, 2002. With this fourth installment, CalSTRS collected \$144 million of the \$320 million that is due to CalSTRS.

Actuarial Principles and the Valuation Process

CalSTRS has its consulting actuary prepare an actuarial valuation of the DB Program as of June 30 of each odd-numbered year. The DB Program was also subject to an actuarial valuation as of June 30, 1998 and 2000. Since June 30, 1997, the CB Benefit Program has been subject to an annual actuarial valuation.

Since there tends to be some confusion and mystery surrounding actuarial results and valuation reports, the intent of this discussion is to try to make the process and the results more meaningful and useful. While most of the discussion will focus on the much larger DB Program, these issues and concepts are generally equally applicable to both the CB Benefit Program and the DBS Program.

Actuarial Liabilities

Actuarial liabilities are created by a promise to pay a specified benefit if certain events occur or certain conditions are met. Actuarial liabilities are not the same thing as accounting liabilities. For an accounting liability, the only question is generally "when." For an actuarial liability, the question is not only "when," but also "if," and "how much." Actuarial liabilities are, therefore, said to be "contingent." This means they are dependent upon one of several possible events occurring.

To evaluate the potential actuarial liabilities, the actuary must make three estimates:

- If a benefit will begin;
- When that benefit will begin;
- What that benefit amount will be.

Money is paid out of the System if one of four events occur: death, termination, disability, or retirement.

The amount of any benefit that is to be paid generally depends upon both current and future service and on the extent of future pay increases.

While the System is waiting to pay the benefit, it invests its funds and earns investment income to supplement contributions that are made by teachers, their employers and the State. To evaluate the plan's potential liabilities, the actuary studies the system's experience and recommends certain assumptions to the Board. The assumptions are split between demographic (or noneconomic) and economic assumptions.

There are four major demographic assumptions for active members: death, termination, disability and retirement. For retired members and survivors, the only assumption is the likelihood of death. For disabled members, the demographic assumption covers both death and recovery from disability.

There are also four major economic assumptions: the assumed inflation rate, the salary scale, the investment return assumption and the payroll growth rate.

The Concept of Actuarial Cost

Over the long term, the employers' cost of the program is going to be equal to the difference between the sum of benefits, refunds and expenses paid out over the sum of employee contributions and investment earnings. Because contributions of the State, employers and members remain constant from year to year and are set by law, poorer investment returns will either decrease the current actuarial surplus or create an unfunded liability. Conversely, greater investment returns will increase the current actuarial surplus. In order to pre-fund a defined benefit program properly, it is necessary to determine the appropriate amount of employer and state contributions to be made to the program. This is the function of an actuarial cost method - to produce a pattern of contributions that meet the goal and requirements of a defined benefit program.

There are two components to the actuarial cost of an existing benefit structure or from adding a benefit enhancement. These are the “normal cost” and the amortization charge for funding the unfunded actuarial obligation. The unfunded actuarial obligation is usually referred to as the:

- Unfunded liability (UL);
- Unfunded actuarial accrued liability (UAAL);
- Unfunded accrued liability (UAL).

The number of years that it will take the current contribution schedule to amortize the UL fully is referred to as the Program’s “funding period.”

The normal cost may be thought of as the ongoing cost of the Program, if there were no UL. It is the annual cost for the benefits that will be earned by the average new entrant over his/her career, if the actuarial assumptions are exactly met and if there is no change in the benefit level.

The amortization charge for the UL is the annual rate that this UL is being paid off, or “funded.”

The technical definition of the UL depends on the specific actuarial cost methods utilized in the valuation. Different cost methods assign different parts of the total actuarial liability for all future benefits to past years (the actuarial accrued liability), to the current year (the normal cost) and the future years (future normal cost). In a way, this is similar to the existence of different inventory evaluation methods in accounting (for example, LIFO or FIFO).

Different actuarial cost methods spread the incidence of actuarial cost in different ways. One approach is to spread cost on the basis of the benefit formula itself (the projected credit unit method). Another approach spreads the incidence of cost on a level dollar basis. Others spread the cost on a level percentage of payroll basis. The aggregate cost method does not create any UL at all.

CalSTRS uses the entry age normal cost method for valuing the DB Program. This is the most common method used for public programs. Its popularity is due to the fact that it spreads the cost as a level percentage of pay and, therefore, it does the best job of creating equitable treatment among successive generations of taxpayers.

The CB Benefit Program and the DBS Program use the traditional unit credit cost method. It is a method best suited to the type of program design evident by the CB Benefit Program and the DBS Program.

Unfunded Liability

The UL is calculated as the actuarial present value of all future benefits, less the actuarial present value of all future normal costs, less the current actuarial value of assets. The resulting UL may either be positive (under-funded) or negative (over-funded).

The UL is not an accounting liability. It is also not the actuarial liability if the program is terminated or frozen.

The UL is the actuarial liability associated with prior years under the entry age cost method, assuming that the plan will continue into the future. It reflects expected future pay increases for current members and expected future service for those members.

There are many reasons why a retirement program like the CalSTRS DB Program may have ended a prior year with an UL. As was the situation in CalSTRS’ case, a part of the UL is due to those years in which the full actuarial cost was not contributed, i.e., the years before Elder Full Funding. UL can also be created by program improvements such as increases in the multiplier and retiree benefit increases.

Actuarial gains and losses will also impact the UL. Gains and losses represent the difference between the actual experience of the Program and the Program’s assumed experience. The most dramatic example of actuarial gains during the years 1995-1999 has been the very favorable investment performance achieved by the Program.

Changes in actuarial assumptions and/or methods also impact the UL. Such was the case for CalSTRS, as a result of the last experience study.

It is important to remember that the creation of an UL is a natural by-product of the entry age methodology. Whenever benefit improvements are granted, the entry age method will cause an increase in the UL.

There is nothing wrong or bad about having an UL. What is important is whether or not the program is making systematic progress in amortizing that UL over a reasonable period of time. There is also nothing wrong with a benefit enhancement that increases the UL, as long as proper funding is included at the creation of the benefit enhancement.

If, however, the Board sees a consistent pattern of actuarial experience losses from one year to the next, they should have their actuary perform an experience study to determine whether or not the current assumptions need adjustment.

In addition, if they see a consistent pattern of deterioration in the funded level of the Program, they need to begin an education process to alert the legislature and plan members to the potential dangers of underfunding the Program. The creation of Elder Full Funding is an example of this course of action.

Actuarial Assumptions

Because of the long time horizon of a DB Program, actuarial assumptions are necessary. The actuary's role is to study and recommend actuarial assumptions. The Board then accepts, rejects, or modifies those recommendations. This action represents a fiduciary decision on the part of the Board.

If the Board and the actuary are too optimistic in establishing the assumptions, the long-term ability of the Program to meet its emerging liabilities may be impaired. Consider two examples:

In the first example, let's say that the Board assumes that the Program will earn 9.5

percent in investment return but in reality the Program only averages 8 percent. The true value of the liabilities will be greater than what is being assumed in the actuarial valuation process, since the actual return is less than expected. This means that more money will be required to pay the benefits than had been planned. Therefore, the System may have problems paying its benefits over the long-term.

As a second example, let's say that the Board sets retirement rates to assume that members will retire on average at age 63. In reality, members actually retire at age 60. While the benefit may be less for retirement at age 60 than at age 63, it is payable for more years into the future. In addition and maybe even more significantly, the Program has lost three years of contributions that it was counting on receiving.

Because the setting of the assumptions is so critical, the following discussion outlines the nature and impact of each major assumption.

Mortality Assumptions

The active member mortality assumption is not a major actuarial assumption as it relates to the size of the actuarial liabilities. This may be illustrated by comparing the size of the active member mortality rates versus the withdrawal and retirement rates. It is also illustrated by the size of the active-member death benefit liability compared to the retirement benefit liability. The 2001 valuation of the CalSTRS DB Program showed the following present value of future benefits for active member death benefits versus retirement benefits (\$ millions):

Type of Benefit	Active Member	Retired Member
Death benefits	\$ 1,495	\$ 2,406
Present value of future retirement benefits	\$102,262	\$37,699

In contrast to the active member mortality assumption, retired member mortality is a major assumption in determining the overall actuarial condition of the Program. The longer the life expectancy in retirement, the longer benefits will be paid. From the plan's viewpoint, favorable experience would

occur if there were more deaths among retirees than expected. This is because not as many benefits are being paid out as are anticipated. Therefore the UL will not grow as fast as assumed.

Rates of Disability

As with the active member mortality assumption, the assumption as to rates of disability is not a major actuarial assumption. Again this may be seen by comparing the size of the disability rates versus the size of the withdrawal and retirement rates. Using the 2001 DBS Program valuation results, the relative importance of the benefit is seen if the present value of future benefits for future disabilities is compared to the present value of future retirement benefits:

Type of Member Benefit	Active Member Benefit	Retired Member Benefit
Disabled	\$ 2,563	\$ 1,408
Retired	\$102,262	\$37,699

In general, fewer disabilities than expected would be viewed as favorable experience. If actual experience exhibits fewer disabilities than expected, then not as many disability benefits will be paid out as anticipated by the UL.

Withdrawal Rates

The assumption as to withdrawal rates is a major actuarial assumption; it determines the likelihood of members staying in service to draw a retirement benefit. Favorable experience relative to withdrawal rates would be more terminations than expected by the assumptions. If there are more terminations, there will not be as many retirement benefits actually paid as expected and the benefits that are paid will not be as large as expected. For CalSTRS, the withdrawal rates are a function of both age and service. This type of structure of assumptions is known as “select and ultimate rates.” This structure reflects the fact that both age and service affect the likelihood of staying in active employment.

Retirement Rates

The assumption as to retirement rates is also a major actuarial assumption in the valuation process. This assumption determines when the retirement benefits are expected to become payable. Favorable experience would occur if there were fewer retirements than expected. In this scenario, CalSTRS has its funds longer than expected, receives contributions longer than expected and pays out benefits for fewer years than expected.

Disabled Life Mortality

The mortality assumption for disabled lives is not a major actuarial assumption. This is due to the size of disabled life liabilities compared to retired life liabilities. Favorable experience would occur if there were more deaths or recoveries than expected by the assumption. This would mean that not as many disability benefits are being paid out relative to the assumed pay out.

Inflation Assumption

The inflation assumption is a key economic assumption. It is not, however, affected by CalSTRS experience.

The importance of this assumption is that it links the assets and the liabilities. This is because it is a component of both the salary scale and the investment return assumption. The current CalSTRS assumption for inflation is 3.5 percent.

Salary Scale Assumption

The salary scale assumption is a major assumption from an actuarial standpoint. It helps determine the amount of the expected benefits to be paid by CalSTRS. Favorable experience occurs when salaries go up slower than expected, producing smaller actual benefits than anticipated by the actuarial calculations. Salary gains have been common in many state retirement systems over the last few years.

There are three components to the salary scale. The first component is inflation. The second component is the productivity component. This component measures how much general salary increases exceed

inflation. This is over and above any age or service-related salary increases.

The final component of the salary scale is the promotional component. For CalSTRS, it is a function of both age and service. It reflects increases in the salary schedule that occur due to an additional year of service or experience. It also reflects the adjustment that occurs in salary for additional degrees or for promotions.

Currently, the salary scale for CalSTRS includes the inflation component of 3.50 percent, a productivity component of .75 percent and a promotional component that is a function of age and service and ranges from .7 to 5.7 percent.

Investment Return Assumption

The investment return assumption is a major and the most visible, actuarial assumption. It determines the discounted value of future benefits and it determines how fast assets are expected to accumulate through the investment process.

It should come as no surprise that favorable experience relative to this assumption occurs when the invested assets earn a higher rate of return than expected. This would be illustrated by the investment performance that has been achieved during the Plan years between fiscal years 1995 and 2000.

There are two components to the investment return assumption. Like the salary scale assumption, the first component is inflation. This component is not affected by the program's asset allocation. The second component is the real rate of return net of investment expenses. This assumption is affected by asset allocation, market forces and manager performance.

The current investment return assumption for CalSTRS is 8 percent. This is the most common rate used by large public plans. Because the inflation component is 3.50 percent, this means that the current real rate of return assumption is 4.50 percent, net of investment expenses.

If the inflation component is changed and there is no change in the expected real rate of return, the amount of the change will be equal to the change in the inflation assumption. If, on the other hand, the inflation component is changed, but there is no change in the total (nominal) investment return assumption, this implies that there has been an increase in the assumed real rate of return. The increase in the assumed real rate of return will equal the decrease in the inflation assumption.

Because of the common inflation component in these two assumptions, changes in the salary scale and the investment return assumptions should be viewed together to evaluate their reasonableness. The linkage of these two elements may be analyzed in an asset/liability modeling study.

The Actuarial Valuation

The primary purpose of the actuarial valuation for the CalSTRS DB Program is to determine the adequacy of the current contribution structure. This adequacy is measured in terms of the funding period. There are, however, several other purposes of the valuation. These include:

- Tracing the change in the funding period from the last valuation to the current valuation;
- Calculating the actuarial gains and losses for the two-year period between valuations;
- Providing a biennial snapshot of the status of the plan.

For the CB Benefit Program, the valuation process evaluates how the Plan net assets match-up with the sum of the nominal account balances, the Gain and Loss Reserve and any Annuitant Reserve. It also determines how to allocate that year's investment earnings among minimum interest credits, additional earnings credits, additional annuity credits and the Gain and Loss Reserve.

As with everything the CalSTRS actuary calculates, all results in these valuations are based on the assumptions and methods adopted by the Board.

The valuation report provides a great deal of information. As noted above, the primary focus of the DB Program valuation is to determine the funding period for amortizing the UL, based on the current contribution schedule.

The valuation also provides information on any assets and/or liability gains or losses, the size of the UL itself, the plan's current funded status, an estimate of investment returns based on the actuarial value of assets, numerous member statistics and the external cash flow during the two-year period.

How to View and Interpret Valuation Results

A number of issues contribute to the perception that actuarial concepts are difficult to understand. These include the long-term nature of the actuarial liabilities themselves. It also reflects the large number of actuarial variables that are present in the valuation. Yet another complicating feature is the existence of complex benefit provisions.

The valuation report contains a multitude of numbers and amounts. In trying to under-

stand the significance of the valuation, readers of the report should not just focus on the numbers in isolation.

In order to understand the meaning of the valuation results, it is helpful to put the actuarial results in perspective by looking at trends and comparisons:

- Is the funded ratio changing from year to year? If so, is it increasing or decreasing from one valuation to the next?
- Is the UL growing or declining as a percent of payroll? The UL may be increasing in total dollar amount simply because the active membership is growing. By looking at it relative to payroll, it is possible to evaluate whether or not the UL is growing faster or slower than the system as a whole.
- It is important to observe any pattern of actuarial gains or losses from one valuation to the next. If there are changes in the UL, can those changes be explained by benefit enhancements or by changes, in assumptions?
- Is the funding period increasing or decreasing from one valuation to the next?

These are the types of reviews and analysis that the actuary performs when evaluating the valuation results.

Investment Policy and Management Plan

Approved by the Teachers' Retirement Board, July 2002

Executive Summary

The Board believes that to manage growth of assets in a prudent manner, it is necessary to establish a clear Investment Policy and a planning statement in the form of an Investment Management Plan, under which the Investment Branch will operate. The Board has sole and exclusive fiduciary responsibility to administer the investment assets in a manner that will assure the prompt delivery of benefits and related services to the Plan members and participants and their beneficiaries. As a public pension fund, the CalSTRS is not subject to the Employee Retirement Income Security Act of 1974 (ERISA) that governs corporate pension plans. The CalSTRS investment decision-making criteria are based on the "prudent expert" standard for which the ERISA prudence standards serve as a basis. Additionally, The California Constitution Article 16, Section §17 and the California Education Code, Part 13 Teachers Retirement Law chapter 4, section §22250 require diversification of risk across asset classes and minimization of employer costs.

The Investment Policy and Management Plans have been developed within the context of the significant events that have occurred during CalSTRS' eighty-five year history. The CalSTRS Investment Management Plan is updated to reflect the changes that have occurred in the investment policy and strategy as a result of implementing approved programs. In addition, the Investment Policy and Management Plan is updated to ensure that the factors that impacted initial decisions are still relevant in the current environment.

This document addresses general objectives governing the policies of the investment function and specific performance objectives. The general objectives are meant to

provide a framework for the operation of the investment function. CalSTRS' performance objectives can be divided into objectives for the overall investment function and objectives for investment managers.

The asset allocation decision governs the allocation of CalSTRS' assets between public and private, fixed income and equity. Strategic allocation of CalSTRS' assets is the most important factor in the determination of the realized total rate of return. The Board, investment staff and the general consultants worked together to create a variety of optimal asset allocation alternatives. The Board has adopted the desired targets and set tight ranges around those targets to control risk and ensure the proper allocation of the portfolio.

Strategic asset allocation targets are established within a variety of sub-asset categories to achieve the identified performance objectives. In conjunction with the overall asset allocation targets, sub-asset class level tactical ranges provide flexibility to adapt to changing market conditions.

Subsequent to the establishment of strategic asset allocation targets, an investment structure was designed to guide and direct investment decisions. Investment related issues addressed included:

- ❖ The TRFs' overall investment objectives, risk tolerance and performance standards;
- ❖ The relative amount of active and passive management within each asset class;
- ❖ The relative amount of internal and external management;
- ❖ The appropriate direct and indirect costs of each asset category;
- ❖ The appropriate reporting standards and time horizons.

Investment Policy

Standard of Care

Under California Constitution Article 16, Section §17 and the California Education Code, Part 13 Teachers Retirement Law Chapter 4, Section §22250, the Board has the sole and exclusive fiduciary responsibility over the assets of the System. The Board shall also have sole and exclusive responsibility to administer the System in a manner that will assure prompt delivery of benefits and related services to the members and their beneficiaries. The assets of the System are trust funds and shall be held for the exclusive purposes of providing benefits to members and participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the System.

The members of the Board of the System shall discharge their duties with respect to the System solely in the interest of and for the exclusive purposes of providing benefits to, members and their beneficiaries, minimizing employer contributions thereto and defraying reasonable expenses of administering the System. The Board's duty to its members and their beneficiaries shall take precedence over any other duty.

The Board will perform their duties with respect to the System with the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of like character, with like aims.

General Investment Objectives

The main goal for CalSTRS is to "maintain a financially sound retirement system." Within this context and in conjunction with the State Constitution and Education Code, the following general investment objectives are designed to establish a framework for the operation of the investment portfolio.

❖ **Provide for present and future benefit payments.** Provide liquidity to pay benefits to CalSTRS members and participants and their beneficiaries in the amounts and at the

times called for through the investment of contributions and other fund assets; strive to meet the assumptions built into the actuarial model and maintain a fully funded pension system.

❖ **Diversify the assets.** Seek to diversify the assets to achieve the desired rate of return at a prudent level of risk. The asset structure must provide for diversification of risk between asset classes to manage the risk/return relationship through strategic asset allocation.

❖ **Reduce CalSTRS' funding costs.** Within prudent levels of risk, the reduction of CalSTRS' funding costs shall be a consideration in the organization and structure of the investment portfolio.

❖ **Maintain the trust of the members, participants and public.** Manage the investment program in such a manner that will enhance the confidence of the member, participant and public in the CalSTRS investment program.

❖ **Establish policy and objective review process.** A formal review of the Investment Policy and Management Plan will be conducted annually, with an updated financial projection developed every two years.

❖ **Create reasonable pension investments relative to other pension funds.** The selection of investment vehicles and policies will be judged against other private and public pension funds. Investment performance, asset management costs, staffing and overall expenses will be compared to other public and corporate pension plans, with special emphasis on comparisons with other large public funds.

❖ **Minimize costs.** Management fees, trading costs and other expenses will be aggressively monitored and controlled.

❖ **Compliance with state and federal laws.** The investment program must operate in compliance with all applicable state and federal laws and regulations concerning the investment of pension assets

Investment Performance Objectives

The general investment objectives designed a framework for the operation of the investment function. The performance objectives can be divided into three components: (1) performance objectives for the overall investment portfolio; (2) performance objectives for each asset class; 3) performance objectives for the individual investment managers within each asset class. CalSTRS incorporates all three levels of analysis in its monitoring of the investment portfolio performance.

In 2001, a survey of the Board members confirmed the Board's primary objective is to meet the actuarial assumptions and to strive to maintain a fully funded pension plan. Further, the Board reaffirmed its focus on a long-term investment horizon of 10 years. As a long-term pension plan, the Board emphasizes that the primary time horizon for measuring investment performance will be over a three, five and ten year period.

There are four performance objectives identified for the overall investment portfolio:

1. Strategic asset allocation targets;
2. Inflation;
3. Actuarial rate of interest;
4. CalSTRS' liabilities.

The first objective identifies a comparative benchmark that reflects CalSTRS' unique asset allocation policy. This performance objective is a composite of the target weighting for each asset category multiplied by the performance benchmark's return for that category. This performance number is compared to the actual asset allocation and actual total rate of return. This comparison identifies the contribution or detriment to performance caused by manager performance, market timing and tactical asset allocation decisions.

The inflation-related objective compares the investment performance against the rate of inflation as measured by the CCPI plus 3.5 percent. The CCPI is used in the calculation of the estimated salary increases for the members (teachers). The inflation measure provides a link to CalSTRS' liabilities.

The actuarial rate of interest is reviewed and monitored as a measure of the long-term rate of growth of CalSTRS' assets. The current actuarial rate of interest is 8.0%. When adopting the actuarial rate of interest, the Board anticipates the investment portfolio may achieve higher returns in some years and lower returns in other years.

The liability-related performance objective recognizes that liabilities must be paid in full and in a timely manner. The liabilities are future claims of the CalSTRS' members and participants. The actuarial rate of interest is used to discount the future value of the CalSTRS' liabilities to calculate the funded ratio.

Performance Benchmarks

To facilitate the periodic reporting to the Investment Committee and to provide a relative measure to gauge success, the Board approves custom performance benchmarks. The approved custom performance benchmarks are:

Total Public Equity - Weighted blend of U.S. equity, Russell 3000 Index ex Tobacco, combined with non-U.S. equity, MSCI ACWI ex U.S. Index ex Tobacco.

Total Public Debt - U.S. dollar denominated debt, Lehman Brothers U. S. Aggregate ex Tobacco, and high yield debt, Lehman Brothers Cash Pay Index ex Tobacco

Private Equity - Weighted blend of real estate, NCREIF Property Index, and alternative investments, Custom Alternative Investment Index

Blended indices are weighted based upon the CalSTRS target allocations to each respective index.

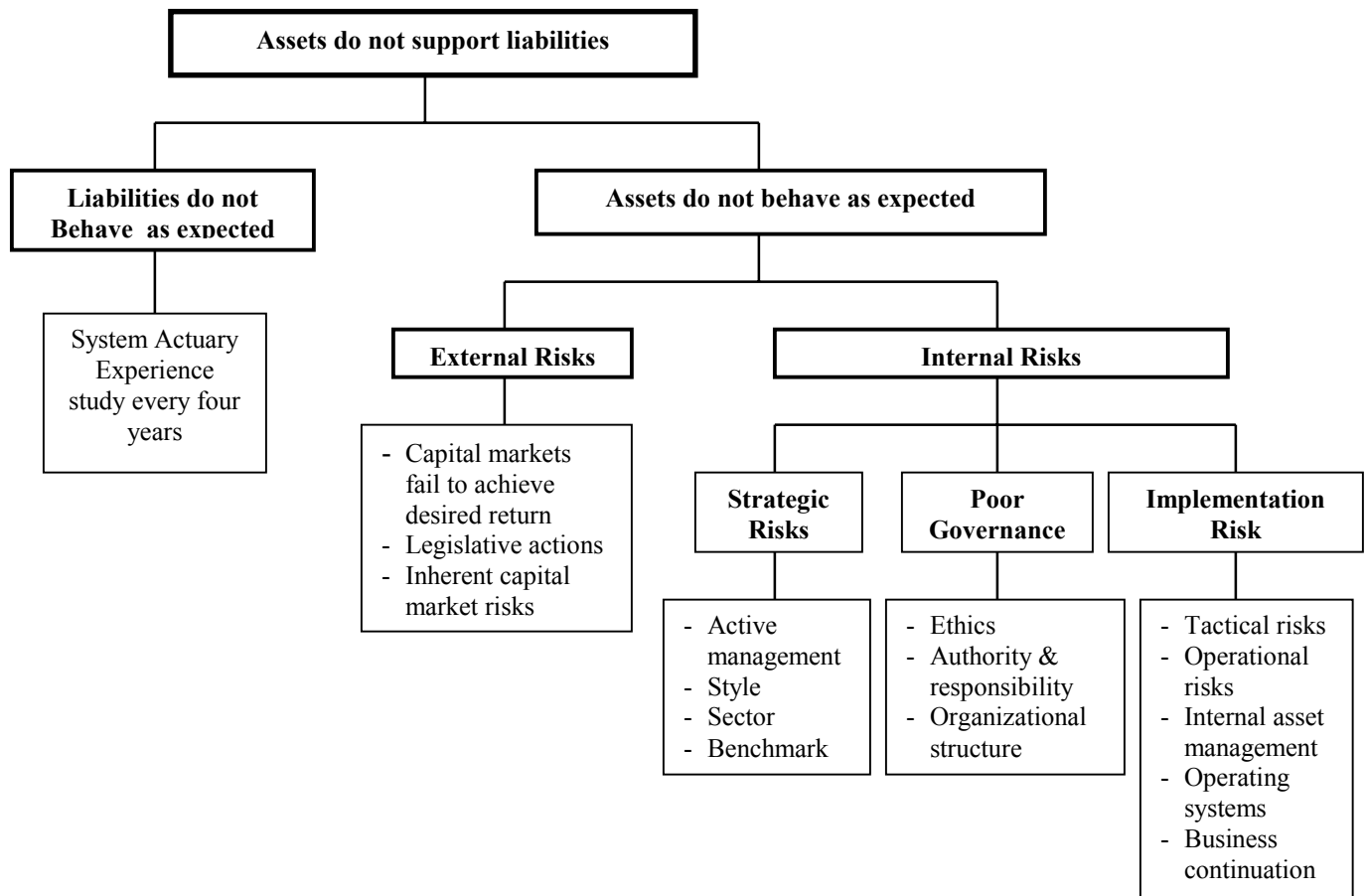
Each investment manager, for U.S. and Non-U.S., equity and fixed income, has an individualized benchmark designed to measure its performance relative to the objective identified in each manager's respective investment guidelines.

Risk Constraints

The CalSTRS investment portfolio will be invested to maximize return at a prudent level of risk in accordance with the CalSTRS Investment Policy, the California Constitution and the Education Code.

Risk Standards

CalSTRS has utilized the *Statements of Key Investment Risk and Common Practices to Address Those Risks*, June 2000, which is endorsed by the National Council on Teacher Retirement, the Government Finance Officers Association and the Association of Public Pension Fund Auditors. These standards promulgate a risk framework listed in the following graph:



External risk - External risks are embedded and inherent within the capital markets. This policy defines the TRF's strategy and process to capture or mitigate these risks.

Governance risk - Governance risk is mitigated within the Board's policy and individual asset class policies. Roles and assignments are clearly stated in each.

Strategic investment risk and implementation risks - This policy is designed to mitigate the strategic investment risk and implementation risks of the investment activity. A critical element to mitigate these risks is the asset allocation and sub-asset structure of each asset class. The Board has adopted target allocations and tight ranges to control and limit the strategic and tactical risk in the portfolio. To control the active manager style, sector and benchmark risks, the Board has delineated guidelines and structure through the asset allocation plan and equity manager policies and guidelines.

Risk Budget

The asset allocation plan incorporates a "risk budget" in a broad sense. In CalSTRS view, the public markets of U.S. equity, U.S. fixed income and to a lesser extent Non-U.S. equity, as fairly efficient market. Information is disseminated quickly and new information is quickly absorbed into the market prices of a given security. As a result, CalSTRS utilizes a more passive management style. The less efficient the investment, the greater exposure to active management and hence the larger exposure to style, sector and management risk.

In the less liquid and inefficient asset classes of high yield fixed income, private equity and real estate, the TRF utilizes a complex active management style to capture the greater opportunities offered by larger risks.

Total Fund Risk

Liquidity Risk

No more than 30% of the total fund shall be invested in instruments that are not regularly publicly traded on a daily basis.

Maximum Investment

No more than 3% of the total fund shall be invested or exposed to any one security or corporation, with the exception of United States Treasury or Agency Obligations. No more than 15% of any asset class maybe invested in any one security, with the exception of United States Treasury or Agency Obligations.

Asset Allocation

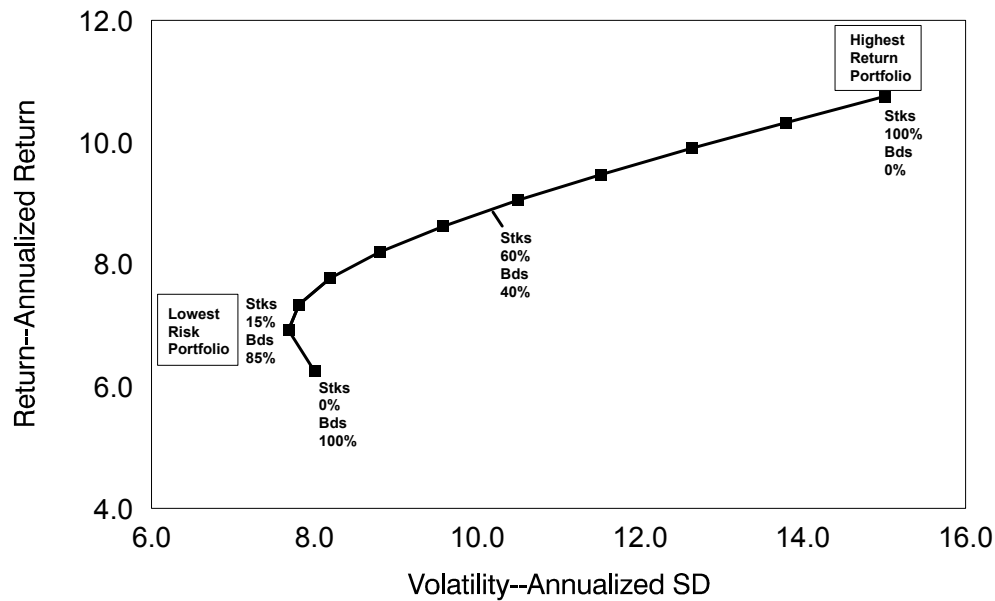
A Review of Asset Allocation

A diversified investment portfolio consists of multiple asset classes whose investment returns respond differently to varying economic scenarios. Diversified portfolios are attractive because the combination of various asset classes can reduce expected risk while maintaining expected return. Combining assets having different return patterns can produce a portfolio that has much lower volatility (risk) than any individual asset, while producing returns that are competitive. Maximizing return while reducing risk increases the probability of meeting a specified return objective.

Efficient frontier analysis is a widely accepted method of analyzing the trade-off between risk and return across portfolios having different mixes of assets. Through this quantitative technique (which relies on several critical assumptions), an optimization process identifies portfolios of assets providing the highest expected return, given a specified level of risk. The procedure continues to determine ideal portfolios at varying levels of risk until an entire range of ideal portfolios (termed an "efficient frontier") is identified (see graph on following page).

In selecting certain combinations of assets (such as domestic equity and fixed income) any rational investor will always consider the trade-off between changes in return and risk. At a minimum, investors should expect to receive a higher rate of return for an incremental increase in investment risk.

An Efficient Frontier for a Stock and Bond Portfolio



Asset Class	Expected Annual Return	Expected Annual Volatility
Domestic Stocks:	9.75%	18.0%
Domestic Bonds:	6.25%	7.0%
Stock-Bond Correlation:	0.30	

Each mix of assets is, in itself, a unique asset having its own return versus risk trade-off. As highlighted above, these asset portfolios can exhibit return patterns that differ greatly from any underlying asset. Depending on the extent of how individual assets move in relationship to each other (measured by correlation), certain mixes of assets could enhance the return-risk trade-offs over investing in any single asset.

The curve-point in the curve in the efficient frontier chart shows at what point adding a certain proportion of stocks ceases to add value (simultaneously adding return and reducing risk). This point comes when stocks become 13% of the portfolio. Beyond this point, the only way to increase return is to increase risk incrementally. For those points along the line past the curve point, the only decision one has to make is how much incremental risk one is willing to accept.

The only way to increase return will be to accept incremental increases in investment risk (uncertainty). The line between the curve-point and the “100% stocks” point is termed the “efficient frontier.” Any point along the efficient frontier represents that unique portfolio that offers the highest return for the given amount of risk.

The Asset Allocation Process

The key goal of the asset allocation process is to develop an asset allocation policy that maximizes the likelihood that an investment portfolio’s assets will, over the planning horizon, fund plan benefits.

Steps Involved in Setting Asset Allocation Policy

Overview and Planning Steps

1. Review rationale for policy;
 - Importance of diversification.

2. Review financial condition of Plan;
 - Assets versus projected liabilities (balance sheet);
 - Projected contributions versus projected benefits.

Investment Related Steps

1. Review rationale for investment asset classes in light of plan financial requirements.
2. Develop expectations for asset class investment performance (returns, risks, correlations).
3. Identify investor-specific constraints that might limit investment strategies (e.g., liquidity).
4. Create model portfolios, incorporating objectives, assumptions and constraints.
5. Isolate investor-specific model portfolio to represent an investor's asset allocation policy.
6. Perform additional sensitivity analyses to quantify impact of specific issues;
 - Adjustments to required rate of return;
 - Shift in financial condition of Plan due to funding.

Once the rationale for undertaking an asset allocation study is understood, a review of the financial condition of the plan becomes imperative. A key component of reviewing a

plan's financial condition is studying the actuarial requirements of the plan. These include the future liabilities and expected cash flow of contributions less benefit payments. For example, over the next decade, CalSTRS expects to see a negative cash flow as more participants retire. These requirements represent the plan's long-term liabilities and, when combined with the plan's investment portfolio, constitute a pension plan's balance sheet.

Understanding what factors (such as changes in interest rates, benefit structures, and plan demographics) influence these liabilities is important. Changes in these and other underlying factors may, in fact, alter a plan's liability structure. Such shifts could, in turn, impact the plan's financial condition. CalSTRS' factors were studied and considered as part of this asset allocation review.

Selecting Asset Classes for Portfolio Investment

As discussed earlier, there are three components required to model investment returns: (1) asset class expected returns, (2) asset class risks and (3) correlations among asset classes. Investment consultants develop these components, which are then used to develop efficient frontiers quantitatively. CalSTRS' current long-term expected returns and risks for various assets classes range from 5.0% to 13.0% per year.

Total Return and Risk Estimates Assumed Inflation Level: 3.5% per year Adopted in 2001

Asset Class	Expected Annual Return	Expected Risk (Annld. SD)
Cash	5.00	1.0
Domestic Bonds	6.25	7.0
U.S. Stocks	9.75	18.0
Non-U.S. Stocks	9.75	22.0
Private Equity	13.00	33.0
Real Estate	8.00	13.0

Correlation among the asset classes:

	US Equity	Fixed Income	Non-U.S. Equity	Private Equity	Real Estate	Liquidity
U.S. Equity	1.00	0.30	0.50	0.60	0.40	0.10
Fixed Income	0.30	1.00	0.10	0.00	0.20	0.50
Non-U.S. Equity	0.50	0.10	1.00	0.40	0.10	0.00
Private equity	0.60	0.00	0.40	1.00	0.15	0.10
Real Estate	0.40	0.20	0.10	0.15	1.00	0.30
Liquidity	0.10	0.50	0.00	0.10	0.30	1.00

These return and volatility estimates reflect several basic relationships:

1. Investors or lenders of capital require an incremental real return premium as a reward for making capital available;
2. Equity-oriented investment should, over long periods, produce return premiums that are higher than their fixed-income counterparts;
3. The return assumptions for the publicly traded asset classes do not account for added value opportunities within each asset class.

Review of Asset Allocation Policy

Over the last fifteen years, CalSTRS' asset allocation policy has shifted modestly.

CalSTRS Asset Allocation Policy Trends (in %)

Asset Class	Long-Term (2005)*	1999	1995	1993	1986
U.S. Equities	38	38	34	33	40
Non-U.S. Equities	20	25	18	18	15
Public Equity	58	63	52	51	55
Real Estate	7	5	5	10	10
Private Equity	8	5	3	7	5
Total Equity	73	73	60	68	70
Global	0	0	5	1	0
Fixed-Income	26	26	34	30	30
Cash	1	1	1	1	0
Stable Assets	27	27	35	31	30
Total	100	100	100	100	100

*- The long-term target was established in October 2001 with the goal of full implementation by the year 2005.

CalSTRS' investment policy has remained consistent from an equity/stable asset allocation viewpoint. In 1986, CalSTRS had a strategic allocation of 70% equities and 30% stable assets. Since 1997, the Board adopted and reaffirmed a policy of 73% equity and 27% stable assets.

Strategic Asset Allocation

The System's asset allocation strategy utilizes a design for today's needs, while anticipating the future capacity and growth of the investment portfolio. A strategic asset allocation target for public equity, private equity, liquidity and public debt was last established in 2001 after reviewing a comprehensive asset allocation analysis completed by Pension Consulting Alliance. In conjunction with the strategic target, a range for each asset category has been established to provide flexibility designed to reduce rebalancing costs and allow

flexibility to adapt to changing market conditions.

To control the risk and return relationship each asset category should be rebalanced to the strategic target. Rebalancing latitude is important and can significantly affect the performance of the portfolio. Blind adherence to narrow ranges increases transaction costs without a documented increase in performance. A rebalancing range that is too wide may cause undesired changes in the asset allocation. The range is plus or minus three percent around the strategic target for the major asset categories (domestic equity, international equity and fixed income). The range is plus or minus two percent around the strategic target for the other asset categories (private equity and cash). The two or three percent range refers to the market value of the total investment portfolio.

CalSTRS Policy Target and Ranges

	Long-Term Target	Range
U.S. Equity	38%	35% to 41%
Non-U.S. Equity	20%	17% to 23%
Total Public Equity	58%	52% to 64%
Private Equity	8%	4% to 10%
Real Estate	7%	4% to -9%
Total Equity	73%	68% to 77%
Fixed Income	26%	23% to 29%
Cash	1%	0% to 3%
Total Public Debt	27%	23% to 32%
Total Asset Allocation	100%	

Please note that the allocated not funded portion of the private equity and real estate will be invested in the U.S. equity portfolio.

To manage the shift to the new allocation targets established in 2001, the Board sets forth the following plan. Each asset mix is used at the end of the respective fiscal year for performance measurement. The respective ranges of +/- three percent for U.S. equity, Non-U.S. equity and fixed income will apply to each year's target. The range for private equity, real estate and liquidity will be zero to +two percent of the long-term (fiscal year end June 30, 2005) target for the entire plan.

Asset Class	01-02 FY	02-03 FY	03-04 FY	Long-term (04-05 FY)
U.S. Equity	41%	41%	39%	38%
Non-U.S. Equity	21%	20%	20%	20%
Private Equity	5%	6%	7%	8%
Real Estate	6%	6%	7%	7%
Fixed Income	26%	26%	26%	26%
Liquidity	1%	1%	1%	1%

Rebalancing Procedure

The asset mix may deviate from the target as shown above. Deviations greater than described may require rebalancing within the range. The range around the allocation targets is intended to keep the actual allocation close to the target while minimizing the transactions costs that result from rebalancing.

1. The Board delegates to the Chief Investment Officer authority to rebalance the asset allocation across asset classes when market values of assets fall outside policy ranges. Rebalancing will be accomplished first using normal cash flows and second through reallocation of assets across asset classes. The timing of the re-balancing will be based on market opportunities and the consideration of transaction costs and therefore need not occur immediately. The global financial markets and fund conditions are dynamic, not static. The optimum rebalancing will depend on market volatility and costs. The above policy ranges are long-term and may deviate in the short-term as a result of funding schedules, interim market movements and market impact costs of implementation.

2. Idle cash will be allocated to asset

classes and investment managers based on target allocations.

3. In cases of major rebalancing, the Board authorizes the Chief Investment Officer to shift assets in a timely, prudent and cost efficient manner to maintain the policy ranges established by the Board. The Board further authorizes the Chief Investment Officer to utilize futures, forward contracts and options for a temporary period, in order to maintain target range exposure in asset classes and to reduce transaction costs that would otherwise be incurred by the buying and selling of actual securities. Major rebalancing can occur to bring asset classes within their target ranges, or when there is transition between investment managers. The Chief Investment Officer will promptly report any major re-balancing to the Board at the next Investment Committee meeting.

4. Rebalance within asset classes: the Board authorizes the Chief Investment Officer to rebalance within each asset class by first using normal cash flows and second through reallocation of assets within asset classes. This reallocation will be based on individual policies and guidelines for each asset class.

5. Because of appraisal valuation and

illiquid market nature of appraised assets, exceeding the maximum policy range allocation will trigger a conscious review by the Chief Investment Officer, the specialty and General Consultant and the Investment Committee rather than automatic rebalancing.

Investment Structure

Investment structure guides and directs present and future investment decisions in a prudent manner. The structure is also used by CalSTRS to mitigate the strategic investment risk within the portfolio. Investment related issues addressed included:

- ❖ The relative amount of active and passive management;
- ❖ The relative amount of internal and external management;
- ❖ The appropriate direct and indirect costs of each asset category;
- ❖ The appropriate reporting standards and time horizons.

Asset Allocation Structure

❖ Based on academic studies, it has been determined that 91% of the total return is attributable to the asset allocation decision. Consequently, each asset category shall remain within the tactical range approved in the strategic asset allocation adopted by the Board.

❖ Control of the cash flow is critical to the success of long-term investment strategies. Estimated cash flows shall be provided to the Investment Committee annually.

❖ Each month the Chief Investment Officer will complete a report identifying the salient aspects of the investments including a section on compliance with approved asset allocation targets.

Equity Structure

❖ The U.S. equity portfolio will be managed using both passive (80% target) and active (20% target) strategies. The structure of the active portfolio will follow the general breakout of the Russell 3000 Index between large and small capitalization

and value and growth characteristics. The passive component may have both internal and external managers. The active component will be managed externally.

❖ The non-U.S. equity markets are assumed to be more inefficient, allowing active management to add value. The target will be an equal amount of active management (50%) and passive management (50%) strategies. Emerging markets will be utilized to enhance return and diversification. The passive component may have both internal and external managers. The active component will be managed externally.

Fixed Income Structure

❖ The long-term fixed income portfolio shall be comprised of investment grade and non-investment grade securities using an enhanced indexing strategy and an externally managed high yield strategy. The internally managed portfolio will emphasize tracking the risk characteristics of the performance benchmark.

❖ Short-term fixed income and cash securities, including the cash portion of equity portfolios, shall be managed internally with emphasis on safety and liquidity. The portfolio shall be comprised of investment grade securities, A1/P1 rated short-term debt and other appropriate securities as approved in the policies and procedures.

Alternative Investment Structure

❖ The alternative investment portfolio will be comprised of limited partnerships and co-investments focusing on commitments to domestic and international partnerships as identified in the Alternative Investment policy. One of the alternative investment advisors and staff will analyze each partnership and conduct appropriate due diligence with the objective of achieving upper quartile performance, as identified by Venture Economics.

❖ Private equity investments have substantial fees and costs; consequently, emphasis will be placed on negotiating, monitoring and controlling the direct and

indirect costs of each limited partnership investment.

Real Estate Structure

❖ The real estate portfolio will be comprised of direct real estate investments, joint venture investments and commingled funds (opportunistic funds) with adopted targets of 50% to low-risk, 25% to moderate-risk and 25% to high-risk investments.

❖ To align the interests of the plan sponsor and real estate manager more closely, emphasis will be placed on negotiating,

monitoring and controlling the cash flow (both income and expense) associated with each property.

Reporting

On a monthly basis, the Chief Investment Officer prepares a comprehensive report on the investment program to include the asset allocation, movement of assets, System cash flow and market value of each portfolio. Semi-annually, the General Consultant and Chief Investment Officer will preview and present the investment performance of the Systems' investment portfolio.

Social Security Benefits and CalSTRS Members

(Updated excerpt from Teacher' Retirement Board material from September 11, 1997)

Revised January 2002

Mandatory Social Security For New Employees

Introduction

In recent years, efforts to improve the financing of Social Security has included proposals to extend Social Security coverage to all new state and local government employees. The enactment of such a proposal would have a major fiscal impact on new California teachers and employers and on the CalSTRS. Currently, members and employers are paying 16.2 percent of creditable compensation toward the System's total cost rate of 17.082 percent of payroll. The required tax for Social Security coverage of new hires would be 6.20 percent of payroll from both new hires and their employers. Adding the new Social Security tax of 12.40 percent on top of the CalSTRS 17.082 percent total cost rate would create a total required contribution rate of 29.482 percent of payroll for new hires.

The CalSTRS DB Program is designed as a fully independent program with a 2 percent at age 60 retirement benefit plus ancillary disability and survivor benefits. The addition of Social Security on top of this program will create an overlap of disability and survivor benefits and create a joint benefit, which could be considered excessive by many. Therefore, mandatory Social Security coverage for new teachers could necessitate the closure of the current CalSTRS DB Program to new members and the enactment of a new, lower cost CalSTRS program, which would complement the benefits under Social Security. (It should be noted that while in some states, including California, there are judicial or constitutional guarantees against reductions in retirement benefits for public employees, these guarantees would not necessarily apply to "new hires.")

In 1980, in a report commissioned by Congress, the Universal Social Security Coverage Study Group established that mandatory Social Security coverage would result in the transfer of significantly higher retirement costs to state and local governments. The report included a study by 13 independent actuaries, which analyzed retirement plans of independent state systems and proposed new benefits and costs for those systems coordinated with Social Security. The overall actuarial costs of the proposed plans, including Social Security taxes and assuming approximately equal benefits, would have increased on the average of 5 percent to 8 percent of payroll.

However, mandating Social Security on public employees is a recurring threat because Congress sees mandatory coverage as a way to reduce federal budget deficits. While Social Security and Medicare are considered trust funds, payroll taxes for those programs are considered revenues when measuring the federal budget deficit.

This paper provides a historical background, a review of a previously completed alternative retirement plan study, some consequences of mandating Social Security on new hires, a summary of two Social Security benefit "offset" provisions and a review of Medicare issues.

Background

1935

Social Security was established originally as the Old Age and Survivors Insurance program, or OASI and was intended to be a modest retirement system for employees of private industry. Employees of state and local government were excluded from coverage when Congress passed the Social Security Act. This was because of the constitutional question of levying the employer portion of the Social Security tax on state and local government.

1951

Public employees who were not in positions covered by a state or local retirement system were given the option of joining Social Security. Eight states overcame the restriction of no coverage in a retirement system by dissolving the existing retirement system, obtaining Social Security coverage for the jurisdictions' public employees and then reinstating the retirement system with either the same or revised provisions. Coverage under the new state system was usually mandatory for new hires in the eight states.

1954

The Social Security program was again amended to make coverage voluntary to public employees even if they were covered by a state plan. The choice was up to the states, subject to a majority vote of the members of the plan. If Social Security coverage was elected, it was an all or nothing choice; that is to say all employees either would be included or excluded.

1955

In California, an every-member vote was conducted by the California Teachers Association (CTA). (It should be noted that in 1955 the makeup of employee organizations was much different than it is today, e.g., administrators were members of CTA.) Teachers, as a group, rejected Social Security coverage by 4 to 1.

1956

Entry into Social Security was made even easier. Coverage could be extended to employees who wanted the coverage, while those who did not desire coverage could be excluded, if all newly hired employees were automatically covered. This provision was eventually extended to 20 states, including California (state legislation was passed for school classified and state employees to be covered under this provision in 1959 and 1961, respectively).

Also in 1956, the Disability Insurance program was added to provide income to disabled workers. Since then, the program has been referred to as the Old-Age,

Survivors and Disability Insurance program, or OASDI.

1967

Title XVIII - Medical Enrollment Act of 1967 established medical coverage for persons age 65 and older.

1977

Legislation was passed establishing the "Government Pension Offset," which reduces Social Security benefits under certain circumstances if there is a pension based on employment that was not covered by Social Security. The pension offset of spousal benefit, if the spouse also receives a public retirement benefit, did not take effect until 1982 and is applied only if the spouse was not eligible for retirement as of that date.

1983

Legislation was passed establishing the "Windfall Elimination Provision." This offset provides for an alternate calculation of an individual's Social Security benefit, resulting in a lower Social Security benefit, for retirees who primarily worked in employment not covered by Social Security and who had other jobs where they paid Social Security payroll taxes long enough to become eligible for a benefit from Social Security.

1985

Mandatory Medicare for new hires of state and local governments became law as part of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA). All new hires in California public schools after April 1, 1986, are subject to a payroll tax equal to 1.45 percent of salary and, in return, they are covered by Medicare.

1986

The Tax Reform Act of 1986 made extensive amendments to Internal Revenue Code Section 401 concerning the integration of qualified retirement plans with Social Security. The integration requirements were further complicated by modifications to the general plan "nondiscrimination" regulations. Integration with Social Security

subjects plans to complex Internal Revenue Service regulations. Because of administrative complexities involved in the integration of Social Security, it is generally recommended that integration be avoided and that “supplemental” plans totally independent of Social Security be developed, if necessary.

1988

As a result of Congressional consideration of mandatory Social Security for new hires, Chapter 743 (AB 147 - Elder), which required CalSTRS to develop and submit to the Legislature an actuarially sound and funded alternative retirement plan that, when coupled with Social Security, would provide a member of CalSTRS with adequate retirement benefits.

1989

State legislation was passed that made it optional for public school employers to hold elections for Medicare coverage for active employees hired before April 1, 1986. Individual employees could choose Medicare coverage if the employer offered the election. The effective date of the Medicare coverage could not be earlier than January 1, 1997.

1990

As part of the Omnibus Budget Reconciliation Act of 1990 (OBRA), Congress enacted a law requiring all public employees not covered by a state or local retirement plan meeting specified standards to be covered by Social Security. This led to the development of the CalSTRS CB Benefit Program for part-time teachers.

1997

A Social Security Advisory Council composed of 13 members recruited from business, labor and “think tanks” issued reports on the current state and future of Social Security. The Council members had widely differing views on how to solve the ongoing funding problems. One area of agreement was that all newly-hired state and local government workers should be required to pay into the program. It has been estimated that mandating Social Security

coverage on new hires would raise about \$16.3 billion over a five-year period.

Alternative Retirement Plan Study

There have been several studies of Social Security and CalSTRS over the years. The most thorough study related to the potential impact of mandating Social Security on the membership of CalSTRS was completed in 1989. Chapter 743, Statutes of 1988 (AB 147 - Elder) specifically required the Board to recommend an “alternative retirement plan” that would: (1) provide an “adequate retirement benefit” when coupled with Social Security and (2) be actuarially sound and funded within the rates presently being contributed by the employer and employee to CalSTRS.

Factors Considered

Many factors were considered in the design of the alternative plan(s), including:

- The Social Security program structures and benefit levels;
- Employee and employer organizations’ concerns that were submitted to the task force;
- “A target replacement ratio,” which is the percentage of a given pre-retirement gross salary that will produce the same post-retirement disposable income (i.e., the same standard of living) that was available immediately prior to retirement;
- Federal government requirements in the area of pension plans, such as the applicable IRS provisions, the Employee Retirement Income Security Act (ERISA) and rulings by the Equal Employment Opportunity Commission (EEOC);
- The benefit program structures of twelve other state retirement system plans that provide benefits to public school teachers eligible for Social Security benefits;
- Guidance from legislative staff, which indicated a preference for a CalSTRS plan that would be fully funded within the 8.35 percent of members’ creditable compensation currently contributed by the employer. (This led to the development of

alternatives that would cost between from 8 and 10 percent of members' salaries to supplement Social Security.)

The target replacement ratio to produce an equivalent benefit level was calculated at about 60 percent of the member's final salary prior to retirement. The total cost of the four alternatives developed ranged from about 23 to 26 percent of payroll when the cost of the 8 to 10 percent alternatives was added to the cost of Social Security. Therefore, there would have been a cost increase for an equivalent benefit level of from 3 to 6 percent of payroll for new hires under the alternative plan options developed by the task force to meet the "target replacement ratio."

In 1998, the CalSTRS Consulting Actuary estimated the cost of a retirement plan that supplemented Social Security benefits to provide a total benefit equal to that currently provided by CalSTRS alone. In that analysis, the Consulting Actuary estimated that the additional combined cost to employers and employees would equal 7.05 percent of payroll, a 43 percent increase in costs from the levels currently being paid by employees and employers for CalSTRS-covered service.

Adoption of an alternative plan would require resolution of numerous plan design questions and funding issues. Such plan design issues include whether or not the supplemental CalSTRS plan should provide ancillary disability and death benefits to augment those provided by Social Security. Also, since Social Security has a normal retirement age of 65, increasing to 67, should CalSTRS raise the normal retirement age and should new adjustment factors be developed for early retirement? A great deal of research, plan design and costing would have to be conducted before any reasonable recommendations concerning an approach to coordination with mandatory Social Security could be made.

Requiring Social Security For State And Local Governments And Their New Hires

Arguments In Opposition:

- The additional 12.40 percent cost for new members (6.20 percent for the employer plus 6.20 percent for the new member) would create a financial burden for California public schools and newly hired employees. The average annual additional cost for a new hire would be employee. Statewide, the employer portion of the cost for new hires would be at least \$24 million a year. The additional required member-employer contribution of 12.40 percent approaches the normal cost of the current CalSTRS program (17.082 percent as of June 30, 2000), leaving little room for the design of a supplemental retirement tier, unless new funding can be found. In 1999, the CalSTRS consulting actuary estimated that providing a retirement program that is coordinated with Social Security would require a 70 percent reduction in CalSTRS benefits to limit the cost of benefits for current CalSTRS members. This could result in the need to develop a two-tier system with new hires being covered by both Social Security and a CalSTRS retirement plan.
- Because the Social Security program offers disability and survivor coverage components, it is unlikely that the excellent CalSTRS disability and survivor coverage could be provided to new hires if a new retirement plan were to be designed.
- State and local government plans are much more soundly funded than Social Security and provide better benefits. State and local retirement plans are able to invest in securities providing a higher return than the bonds held by Social Security. If Social Security is substituted for a large part of employees' retirement plan benefits, contributions will have to increase to fund the same level of benefits.

- The 1990 federal mandate required state and local employees be covered under a plan comparable to OASDI, if they are not covered by OASDI. This resulted in the impression that coverage outside Social Security was desirable.

- Coverage of new state and local workers would increase revenues to the Social Security fund for several years. However, Social Security does not have a short-term problem. Social Security has a long-term funding problem because excess short-term revenues are not being saved and invested to pay the accruing liabilities attributable to those revenues. If the cost of providing benefits exceeds the funding available to provide the benefits, adding more people to the system will make matters worse, not better.

- CalSTRS would lose some element of control to the federal government. The federal government controls the benefits and costs of the Social Security program. For example, benefits can and have been changed, which have adversely impacted those eligible to receive as well as those receiving social security benefits. The future of the Social Security program is in doubt.

Arguments In Support:

- The portability of Social Security benefits could be desirable for teachers who leave public school employment prior to vesting with CalSTRS or who have past or future employment in a state in which Social Security coverage is mandatory.

- There are various program features that may appeal to some members, e.g., Social Security automatically provides a spousal benefit to married couples.

- The Social Security COLA has a greater value than the CalSTRS improvement factor.

Social Security Program Benefit Reduction Provisions

There are two provisions that may reduce benefits for many state and local government employees who are also eligible for Social Security based on private sector

employment. CalSTRS has received many complaints from retired members about these federal program “offset” provisions.

Windfall Elimination Provision

The first provision is the “Windfall Elimination Provision” (WEP), which was enacted by Congress in 1983. This provision primarily affects people who spend much of their working lives in employment that is not covered by Social Security and who also have other jobs where they pay Social Security taxes long enough to become eligible for covered benefits. The formula used to calculate the Social Security benefit amount for these individuals is modified, resulting in a lower Social Security benefit.

The modified formula is applied if the individual reached age 62 or became disabled after 1985 and first became eligible after 1985 for a monthly pension based on work not covered by Social Security. This provision has a complex formula and affects people in different ways, depending on when a person becomes eligible for a pension and whether the person has “substantial” Social Security earnings for specified years. Below is one example of how the WEP will be applied in 2003:

Example

Robert - Born in 1937 with Average Indexed Monthly Earnings of \$712 under Social Security:

Benefit Without WEP:

90% of first \$606	\$545.40
32% of next \$3,047 (\$106)	\$33.92
15% of any remainder over \$3,653	<u>\$ 0</u>

Social Security Benefit Amount \$579.32

Benefit Under WEP:

40% of first \$606	\$242.40
32% of next \$3,047 (\$106)	\$33.92
15% of any remainder over \$3,653	<u>\$ 0</u>

Social Security Benefit Amount \$276.32

Government Pension Offset

The second provision that can reduce the Social Security benefits of some CalSTRS

retirees is the Government Pension Offset (GPO). Before the GPO was enacted, many state and local government employees qualified for both their pension and for a spouse's benefit from Social Security. Under the GPO, two-thirds of the government pension is counted to offset (reduce) the Social Security benefit. Below is an example of the GPO provision:

Example

Spousal Benefit Under GPO:

John – Age 65, \$1,000 monthly Social Security benefit

Mary – Age 65, \$500 monthly Social Security benefit

(Spousal Benefits is 50% of \$1,000, or \$500)

GPO Offset – because Mary receives a CalSTRS pension:

\$ 1,200 Per month CalSTRS Pension

x 2/3

\$ 800 To be offset

\$ 500 Spouse's Social Security benefit

- 800 Pension offset

\$ 0 Payable in Social Security Spousal Benefits

Widow's Benefit Under GPO – Mary is a teacher and becomes a widow:

\$ 1,000 Social Security benefit

- 800 2/3 of CalSTRS Pension (Offset)

\$ 200 Payable in Social Security Widow's Benefits

The National Education Association (NEA) worked during the last several years to change the Social Security benefit reductions as applied to retired state and local government employees. Because of the high cost of complete repeal of the "offsets," the NEA is pursuing an approach that would exempt some modest amount of Social Security benefits from the offset provisions to protect low and middle-income state and local government retirees.

Mandatory Medicare

Retired teachers in California are in very dissimilar health insurance circumstances, depending on such factors as their former employers' policies for covering retirees, whether they have Medicare eligibility, age at retirement, etc. For example, only a few districts offer vested health insurance benefits for retired employees. Some districts provide health benefits to retirees until the retiree reaches age 65 or receives Medicare. Many districts do not provide benefits to retirees except to offer them coverage in a separate "pool" from active employees and require that retirees pay the full premium. Therefore, the most viable option for some retired teachers is securing some form of private health insurance or paying full Medicare Part A and B premiums themselves. (The Budget Reconciliation Bill enacted in August 1997 included a provision that individuals who have not qualified for Medicare coverage and must personally pay for Medicare Part A premiums, will not have to purchase Medicare after premiums are paid for seven years. Individuals who have already made payments for seven years may request to have Medicare Part A premiums waived.)

Over the past few years, CalSTRS has supported legislation to study alternatives for providing health care. After a number of prior vetoes, legislation authorizing such a study was enacted in 1998. CalSTRS has participated in an unsuccessful effort to make it easier for school districts to participate in the health insurance programs offered by the California Public Employees' Retirement System (CalPERS). CalSTRS supported and helped draft successful legislation sponsored by the CTA and supported by CalSTRS-affiliated employee organizations to make it optional for school districts to hold individual elections for members to join Medicare. (Approximately 900 school districts have made Medicare coverage available to CalSTRS members.)

Legislated Benefit Improvements

The following represents state and federal legislation that CalSTRS has actively pursued to improve benefits for members and their beneficiaries. Some of these proposals have taken two years for the Board to carry through the legislative process; it has taken longer for federal proposals. The Board has sponsored, co-sponsored, or supported other sponsors on initiatives that significantly impact the level of benefits or benefit structure enabling CalSTRS to either enhance or provide a promised benefit. It should also be noted, some attempts to make significant changes to benefit levels or the funding structure have not been approved by the Governor.

2002

State

- ❖ Allows members of government defined benefit programs who retired in 2002 to purchase service credit using rollover funds allowed under the federal Economic Growth and Tax Relief Reconciliation Act (EGTRRA) of 2001; AB 131.
- ❖ Increases limits on annual contributions to 401(k), 403(b) and 457 plans; allows individuals to make maximum contributions simultaneously to both 401(k) and 457 plans; AB 1122.
- ❖ Increases defined benefit program limits on contributions for certain service credit purchases; AB 1122.
- ❖ Increases the defined benefit allowance payable at retirement; AB 1122.
- ❖ Increases the annual compensation limit used by defined benefit plans to determine contributions and benefits; AB 1122.
- ❖ Allows a CalSTRS employer to pay all or part of its credentialed employees' member contributions to the DB Program and DBS Program; SB 1318.
- ❖ Allows a member of the DB Program receiving an allowance under Options 6 or 7 to name a new option beneficiary after a member's option beneficiary dies; SB 1983.
- ❖ Allows a participant of the CB Benefit Program and a member of the DBS Program to designate a new annuity beneficiary after a participant's or member's designated annuity beneficiary dies, if the participant or member selected a joint and survivor annuity; SB 1983.
- ❖ Changes the basis for calculating the post retirement compensation limitation from the All Urban California Consumer Price Index to the average earnable salary of active members; SB 1983.
- ❖ Provides two additional years of service credit to **state** employees who are members of CalSTRS, to encourage early retirement from designated state agencies that meet required conditions; AB 593.
- ❖ Allows a CalSTRS member to consolidate his/her benefits under the DB Program by electing to receive service credit for previous eligible service performed while covered under the CB Benefit Program.

2001

State

- ❖ Increases benefits for members who retired from service, reinstate and perform creditable service for two years following reinstatement from a prior retirement; SB 334.
- ❖ Eliminates sunset for eligibility of dependent children under Coverage A; Authorizes conversion of CB Benefit Program participation to DB Program service credit; raises Home Loan Program loan limit; SB 499.

- ❖ Increases purchasing power protection from 75 to 80 percent for retired members; AB 135.

Federal

- ❖ Elk Hills Naval Petroleum Reserve - \$36 million appropriated as the fourth installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ❖ Increases contribution limits and improves the portability of funds among different types of retirement plans, including 401(k), 403(b) and 457 plans, IRAs and the State Teachers' Retirement Plan; EGTRRA.

2000

State

- ❖ Expands earnings limit exemption for administrative positions; AB 141.
- ❖ Provides ad hoc increase to current benefit recipients; AB 429.
- ❖ Permits some state employees to elect CalSTRS coverage and authorizes certain state employees to convert educational leave to service credit; AB 649.
- ❖ Permits partial redeposits of withdrawn contributions by members and non-member spouses; purchase of previously excluded service; naming of new spouse by a retired member with an unmodified allowance; trustee participation in CB Benefit Program; AB 820.
- ❖ Bases final compensation on highest 12 consecutive months with 25 years of credited service; AB 821.
- ❖ Establishes the DBS Program and redirects members' contributions to program; AB 1509.
- ❖ Eliminates post-retirement earnings limitation until 2008 for members who are retired for at least one year; increasees limitations for others; AB 1733.
- ❖ Waives the earnings limitation for members retiring before 7/1/00 for direct remedial education for grades 2-12; AB 1736.
- ❖ Establishes longevity bonus; AB 1933.

- ❖ Expands eligibility under Public Employees Medical and Hospital Care Act (PEMHCA) for part-time employees and requires CalSTRS to report on a prescription drug and retiree health program; AB 2383.

- ❖ Permits portion of retirement allowance to be paid in lump sum; AB 2456.
- ❖ Expands compensation creditable to CalSTRS; AB 2700.
- ❖ Requires CalSTRS to pay Medicare Part A premiums for eligible members; SB 1435.
- ❖ Extends minimum allowance; SB 1505.
- ❖ Exempts members who retired on or before 1/1/2000 from earnings limitation if return to K-12 classroom; SB 1666.
- ❖ Permits some state employees to elect CalSTRS or CalPERS membership; SB 1694.

Federal

- ❖ Elk Hills Naval Petroleum Reserve - \$36 million appropriated as the third installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ❖ Congressional relief from the Medicare late enrollment penalty for the CalSTRS Medicare Part A premium payment program.

1999

State

- ❖ Extends earnings limit waiver for all class-size reduction teachers; AB 335.
- ❖ Enacts program to comply with Internal Revenue Code Section 415; AB 819.
- ❖ Encourages U.S. Congress and President to exclude state and local employees from mandatory Social Security; AJR 9.
- ❖ Requires development of CalSTRS health care benefits; SB 159.
- ❖ Restores surviving spouse benefits eliminated due to remarriage; SB 437.
- ❖ Increases minimum allowance for career members; SB 713.

Federal

- ❖ Elk Hills Naval Petroleum Reserve - \$36 million appropriated as the second installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ❖ Mandatory Social Security for new hires. CalSTRS is actively involved in grassroots and national efforts to oppose the proposed solutions due to its overall impact to CalSTRS members.

1998

State

- ❖ Extends eligibility and eliminates the restriction on credit for unused sick leave; establishes a career bonus for members with 30 or more years of service; guarantees funding stream for purchasing power protection payments; AB 1102.
- ❖ Incrementally increases the benefit factor from 2 percent at age 60 to 2.4 percent at age 63; AB 1150.
- ❖ Extends earnings exemption for class size reduction and the sunset date to January 1, 2005, for certain Medicare coverage; AB 2765.
- ❖ Reamortizes the unfunded liability over 30 years; provides 65 percent of Elder Full Funding to pay for benefits; AB 2804.
- ❖ Authorizes the Board to study providing health care benefits to members and families; SB 1528.
- ❖ Establishes 100 percent financing Member Home Loan Program, as specified; SB 1945.
- ❖ Modifies SB 1027 (1997) regarding the purchase of permissive and out-of-state service credit; permits purchase of "nonqualified" service; SB 2126.
- ❖ Adds Option 8 to allow for multiple option beneficiaries and modified existing options, as specified; SB 2047.
- ❖ Provides for the return to an unmodified allowance for certain members, as specified; SB 2224.

Federal

- ❖ Elk Hills Naval Petroleum Reserve - \$36 million appropriated as the first installment from CalSTRS' share of the proceeds from the sale of the reserve.
- ❖ Mandatory Social Security for new hires. CalSTRS is actively involved in grassroots and national efforts to oppose the proposed solutions due to its overall impact to CalSTRS members.
- ❖ Implements premium free Medicare Part A (Hospital Insurance) for individuals who may qualify under specified conditions as identified by the Social Security Administration; significant for nearly 400 individuals paying premiums in excess of \$300 each month.

1997

State

- ❖ Enacts earnings limit exemption for teachers participating in the class size reduction program; AB 18.
- ❖ Expands disability benefits to victims of an unlawful act, as specified; SB 629.
- ❖ Extends the post-retirement earnings limit exemption; AB 686.
- ❖ Increases purchasing power protection from 68.2 percent to 75 percent, as specified; SB 1026.
- ❖ Authorizes members to redeposit contributions withdrawn by a non-member spouse; and purchase additional service credit for out-of-state public school employment; SB 1027.

Federal

- ❖ Elk Hills Naval Petroleum Reserve sold, net proceeds to benefit 75 percent purchasing power protection; National Defense Authorization Act.
- ❖ President signed the Taxpayer Relief Act of 1997, which made permanent the present moratorium on the application of the nondiscrimination tax rules; made changes in procedures related to the application of the Simplified General Rule; allows for portability of

permissive service credit under governmental pension plans and other relief from the IRC Section 415 defined contribution limits.

1996

State

- ❖ Facilitates employers' option to offer the CB Benefit Program to part-time employees; AB 2673.
- ❖ Eliminates the requirement for dependent children to maintain full-time student status to remain eligible for disability or family allowance under Coverage A; AB 3032.
- ❖ Federal compliance with the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA); SB 1877.
- ❖ 1992 settlement claim relating to interest payments on the Elder Full Funding appropriation of \$540,000; SB 2095.

Federal

- ❖ President signed the National Defense Authorization Act, which granted California's claim for compensation for two school land sections known as Elk Hills Naval Petroleum Reserve.
- ❖ President signed amendment to Title 4 of the U.S. Code, which prevented California and other States from imposing a source tax on the payment of pension plans, as specified.
- ❖ President signed the Small Business Job Protection Act of 1996, which provided pension simplification for governmental plans, such as CalSTRS and IRC Section 415 provisions.

1995

State

- ❖ Extends the post-retirement earnings limit exemption to certain members under specified conditions; AB 948.
- ❖ Establishes minimum standards for full-time employment for all classes of employees for the purposes of crediting service; AB 1122.

- ❖ Establishes the CB Benefit Program to be administered by CalSTRS for part-time public school employees; AB 1298.
- ❖ Modifies pre-retirement options elections for survivor benefits; AB 1441.

1994

State

- ❖ Repeals the administrative fee for processing a refund to a member; AB 2550.
- ❖ Requires CalSTRS employers to inform part-time teachers of their right to elect membership in CalSTRS; AB 2554.
- ❖ Extends membership in CalSTRS to part-time and substitute adult education teachers; AB 2647.
- ❖ Requires CalSTRS to offer a Tax Sheltered Annuity (TSA) program; AB 3064.
- ❖ Requires CalSTRS to offer a mid-career retirement planning information program; AB 3407.
- ❖ Allows CalSTRS to develop one or more deferred compensation plans; AB 3705.
- ❖ Would have allowed CalSTRS to offer health benefits to active and retired members; SB 192. Governor vetoed this initiative.
- ❖ Reestablishes Golden Handshake; additional 2 years service credit program through December 31, 1998; SB 858.

Federal

- ❖ President signed USERRA, which allowed make-up pension accruals of returning military veterans, as specified.

1993

State

- ❖ Modifies direct deposit process regarding benefit arrangements for members, as requested by members; AB 798.
- ❖ "Float Suit" settlement (\$8.9 million) recovered investment earnings in the State's Pooled Money Investment Account; SB 77.

- ❖ Allows salary preservation by using three non-consecutive years for determining final compensation; SB 698.
- ❖ Allows a retired member to change options, as specified; SB 754.
- ❖ Extends the CalPERS Long-Term Health Care Program to CalSTRS members; SB 857.

1992

State

- ❖ Allows members to purchase service credit for time spent on approved family care leave; AB 2538.
- ❖ Federal compliance authorizes CalSTRS to make rollovers directly to other eligible retirement plans; AB 2721.
- ❖ “Betts” establishes a new survivor benefits and disability program for all new members, allows persons already members of CalSTRS to elect to participate in the new program and other changes to bring CalSTRS into federal compliance with the Older Workers' Benefit Protection Act (OWBPA); SB 1884, SB 1885 and SB 1886. Following are significant features:
 - Members eligible for lifetime disability at 50% of final comp;
 - Increases lump-sum death payment from \$2,000 to \$5,000 or \$20,000 as appropriate and includes automatic index;
 - Automatic children's benefit to age 21, if eligible;
 - Reduces offsets;
 - Eliminates remarriage penalty.

Federal

- ❖ Mandatory Social Security for public employees who are not members of a retirement system that provides a minimum level of retirement benefits; IRS regulations.
- ❖ President signed the Unemployment Compensation Amendments Act of 1992 to allow for rollovers.

1991

State

- ❖ Grants family care leave for up to four months, as specified; AB 77.
- ❖ Allows for the purchase of time spent in the Persian Gulf; SB 1171.

1990

State

- ❖ Extends sunset date of the Golden Handshake Program to December 31, 1993, as specified; allows disabled and inactive members to participate in the Dave Elder CalSTRS Home Loan Program; allows service credit for the time spent in the Persian Gulf; AB 2609.
- ❖ Increases the post retirement earnings limit to \$15,000, adjusted annually according to the CCPI; AB 4048.
- ❖ Modifies calculations used in post disability service retirement allowances for those members who retired after reinstatement from disability; AB 4284.
- ❖ Authorizes CalSTRS to establish a loan program to assist with natural disaster situations; AB 53X.
- ❖ Memorializes Congress to establish a process by which CalSTRS retirees can purchase the quarters needed to meet Medicare Part A eligibility; AJR 71.
- ❖ Adds Options 6 and 7 settlements to allow a retiree return to the unmodified, as specified; SB 682.
- ❖ Elder Full Funding Act - revised the annual General Fund contribution to a level that provides full funding of normal cost and provided amortization of the CalSTRS unfunded obligation; SB 1370.
- ❖ Equity Study appropriates funds to study the equity of benefits available under CalSTRS; SB 2469. The study was completed in 1991 and staff provided a report to the Legislature on the following inequities:
 - Family allowance discontinues when spouse remarries - **completed**;

- Refund of contributions to the surviving spouse of a deceased active member when the spouse remarries;
- Payment of allowances to dependent children age 18 to 22 – **completed**;
- Service credit for part-time service – **completed**;
- Sick leave service credit on pre-retirement death of a member – **completed**;
- Eligibility to elect the pre-retirement option is not the same as eligibility to retire;
- Service retirement allowance formula for reinstated disabled member;
- Allow beneficiary of deceased member to continue re-depositing previously refunded contributions;
- Payment of quarterly supplement following the death of a retired member;
- Cost basis for purchase of service credit;
- Eligibility for family allowance is different for reinstatement versus rehire;
- Service credit under the reduced workload program;
- Various other issues.

Federal

- ❖ President signed the Older Workers Benefit Protection Act, which required CalSTRS to enact new disability benefit programs that do not discriminate on the basis of age.

1989

State

- ❖ Federal compliance with IRC Section 415 "grandfather" benefit limitations; AB 50.
- ❖ Extends interest payments to option beneficiaries for late monthly allowance payments; SB 686.

- ❖ Modifies post-retirement earnings limit from 50 percent to 100 percent of the change in the CCPI; SB 1039.
- ❖ Establishes a funding mechanism, the SBMA, to restore purchasing power of CalSTRS benefits; SB 1407.
- ❖ Requires annual distribution of the proceeds of the SBMA at 68.2 percent of the original purchasing power to members and their beneficiaries to restore benefit levels; SB 1513.

1988

State

- ❖ Defines the initial effective date for purposes of applying post-retirement benefit increases when converting from disability to service retirement allowance; AB 2042.
- ❖ Authorizes certain retirees of CalSTRS to elect to purchase up to four years of military service credit; AB 3195.
- ❖ Establishes separate accounts for service credit, contributions and interest awarded to a non-member spouse; SB 1190.
- ❖ Provides exemption from Probate Code to expedite death claim payments under certain conditions; SB 2080.
- ❖ Modifies membership qualifications for substitutes and part-time employees; SB 2082.

Federal

- ❖ President signed Technical and Miscellaneous Revenue Act of 1988, which modified limitations for Section 415(b) of 1986 IRC for government plans.

1987

State

- ❖ Extends sunset date for Golden Handshake Program to June 30, 1990; AB 960.
- ❖ Authorizes concurrent retirement for CalSTRS members who move to employment covered by the Legislator's Retirement System; SB 990.

History of Legislation

The “History of Legislation” summarizes a sixteen-year history, from 1987 through 2002, of state legislation introduced for the benefit of CalSTRS members and beneficiaries. These legislative efforts are consistent with CalSTRS goals to provide: 1) a financially sound retirement system; 2) continuous improvement in the delivery of benefits and services to its membership; and 3) a maximum level of benefits and services within available funding. This chapter is also intended as a historical reference for interested parties.

CALIFORNIA STATE TEACHERS’ RETIREMENT SYSTEM (CalSTRS) HISTORY OF LEGISLATION			
2002 STATE LEGISLATION (2001-02 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 131 (Corbett) Intro 1/22/01	Federal tax law conformity	Conforms California law to the rollover and service credit purchase provisions of the federal Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds. <i>Sponsor: California Chiropractic Association</i>	30, (4/26/02)
AB 979 (Cedillo) Intro 2/23/01	Members called to active military duty	Would have exempted members of the DB Program and the CB Benefit Program called to active military duty between 9/11/01 and 7/30/05 from paying the required member contributions for up to one year and receive retirement benefits for their military service. <i>Sponsor: California School Employees' Association, Service Employees International Union (co-sponsors)</i>	Died in Assembly
AB 1122 (Corbett) Intro 2/23/01	Federal tax law conformity	Among other things, conforms California law to the retirement plan provisions of the EGTRRA. <i>Sponsor: Franchise Tax Board</i>	35, (5/8/02)
AB 1710 (Negrete McLeod) Intro 3/7/01	Community College district alternative retirement plan offering	Would have required community college districts to offer an alternative retirement plan and Social Security to all part-time employees. Alternative retirement plans would impose a minimum employer contribution of 4 percent of the employee's salary and a minimum total contribution rate of 8 percent. <i>Sponsor: Faculty Association of California Community Colleges</i>	Governor Veto (9/30/02)
AB 1743 (Campbell) Intro 1/7/02	Federal tax law conformity	Among other things, would have conformed California law to the retirement plan provisions of the federal EGTRRA.	Died in Assembly
AB 1744 (Corbett) Intro 1/7/02	Federal tax law conformity	Would have conformed California law to the rollover and service credit purchase provisions of the EGTRRA. Permits members retiring in 2002 to purchase service credit with newly authorized rollover funds.	Died in Assembly
AB 1975 (Koretz) Intro 2/14/02	Leaves of absence	Would have required community college districts to grant paid leaves of absence, with benefits, to one community college employee per campus who serves as staff of an employee organization. <i>Sponsor: California Federation of Teachers</i>	Governor Veto (9/28/02)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1995 (Correa) Intro 2/15/02	Corporate accountancy	Would have prohibited a California accountant from certifying corporate financial statements if his or her accounting firm performs non-audit services for the firm's client, other than tax preparation and SEC document review.	Died in Assembly
AB 2137 (Lowenthal) Intro 2/20/02	Additional years of service credit	Would have provided two additional years of service credit, at employer expense, to specified members with National Board certification who perform three years of credited service after January 1, 2003 in a low performing school.	Died in Assembly
AB 2174 (Lowenthal) Intro 2/20/02	Age factor of new members	Would have changed age factors for new members to factors that are actuarially adjusted.	Died in Assembly
AB 2451 (Salinas) Intro 2/21/02	Unused sick leave	Would have permitted part-time community college employees to have value of unused sick leave at the time of retirement credited, at employer expense, to their existing alternative retirement plan account, or CB Benefit Program account. <i>Sponsor: Faculty Association of California Community Colleges</i>	Governor Veto (9/29/02)
AB 2506 (Steinberg) Intro 2/21/02	403(b) investment options	Establishes a 403(b) registration program in CalSTRS that provides information on 403(b) investment options on the CalSTRS Web site. <i>Sponsor: United Teachers Los Angeles</i>	1095 (9/29/02)
AB 2646 (Liu) Intro 2/22/02	Medicare Part B	Would have required CalSTRS to pay Medicare Part B premiums. <i>Sponsor: Association of California School Administrators, California Federation of Teachers, California Teachers Association, Faculty Association of California Community Colleges (co-sponsors)</i>	Died in Assembly
AB 2767 (Pavley) Intro 2/25/02	Social Security	Would have required Department of Education to conduct study by July 1, 2004 on the WEP and GPO to Social Security.	Died in Senate
AB 2970 (Wayne) Intro 2/25/02	Independent auditors	Requires a one-year cooling-off period before an independent auditor may accept a senior-management job with a former audit client.	232 (8/26/02)
AB 2982 (PER&SS) Intro 2/28/02	CalSTRS Technical Housekeeping	Makes a variety of technical and conforming changes to the Teachers' Retirement Law to improve system administration. <i>Sponsor: CalSTRS</i>	375 (9/5/02)
ACR 55 (Migden) Intro 4/16/01	HIV/AIDS drug costs	Would have encouraged California's public employee retirement systems to support shareholder resolutions to reduce HIV and AIDS drug costs in less developed countries.	Died in Assembly
SB 461 (Torlakson) Intro 2/22/01	Prescription drug coverage	Would have required CalSTRS to provide high deductible coverage for prescription drugs to retired members of the DB Program with unspecified minimum levels of credited service. <i>Sponsor: Association of California School Administrators, California Teachers Association (co-sponsors)</i>	Died in Assembly
SB 657 (Scott) Intro 2/23/01	Federal tax law conformity	Among other things, conforms California law to the retirement plan provisions of the federal EGTRRA. <i>Sponsor: Franchise Tax Board</i>	34 (5/8/02)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 728 (Machado) Intro 2/23/01	State employee members of CalSTRS	Ratifies collective bargaining agreements and temporarily reduces member contributions rates to specified state members of CalSTRS and CalPERS. <i>Sponsor: Department of Personnel Administration</i>	14 (3/21/02)
SB 1020 (Escutia) Intro 2/23/01	Increased school year	Would have offered fiscal incentives to schools to increase the school year in grades seven and eight and either grade six or nine by 20 days, or other specified days and hours for year round schools.	Died in Assembly
SB 1256 (Brulte) Intro 1/9/02	Federal tax law conformity	Among other things, would have conformed California law to the retirement plan provisions of the federal EGTRRA.	Died in Senate
SB 1315 (Sher) Intro 1/24/02	Prescription drug purchasing pool	Requires specified agencies to join a statewide pool to purchase prescription drugs at a reduced cost and permits other state agencies, such as CalSTRS, to participate in the pool. <i>Sponsor: California Public Interest Research Group</i>	483 (9/12/02)
SB 1318 (Karnette) Intro 1/24/02	Employer-paid member contributions	Allows an employer to pay all or part of a member's contributions to the DB and DBS Programs. <i>Sponsor: United Teachers of Los Angeles</i>	115 (7/5/02)
SB 1527 (Burton) Intro 2/20/02	Accountants	Would have required a California accountancy firm to certify that it will not perform non-audit services for a publicly-traded audit client, other than tax preparation and SEC document review.	Died in Assembly
SB 1580 (Burton) Intro 2/20/02	Teachers' Retirement Board	Requires 3 members of the Board who currently are appointed by the Governor to represent active CalSTRS members to be elected by the membership. Requires all Governor appointments be approved by the Senate. <i>Sponsor: California Federation of Teachers</i>	1049 (9/28/02)
SB 1746 (Polanco) Intro 2/21/02	Elected officials as appointees to public retirement boards	Expresses legislative intent to permit an elected official of a local agency to be appointed to a California public retirement board if he or she otherwise meets the specified requirements. <i>Sponsor: Polanco</i>	289 (8/27/02)
SB 1983 (Soto) Intro 2/22/02	Options 6 & 7	Modifies Options 6 and 7, changes calculation of post-retirement earnings limits and authorizes CalSTRS investments in employer surplus and real property. <i>Sponsor: CalSTRS, California Teachers Association (co-sponsor)</i>	903 (9/26/02)
SCA 2 (Burton) Intro 1/23/01	Annual Budget Act	Would have required CalSTRS and CalPERS support expenditures be approved in the annual Budget Act beginning in 2003-04 and authorizes the Governor and Legislature to request an independent actuarial review of CalSTRS and CalPERS.	Died in Senate
SJR 9 (Costa) Intro 3/7/02	Investments in foreign business	Would have requested that Congress identify and prohibit investments in foreign businesses that threaten U.S. national security interests.	Died in Senate
SR 22 (Dunn) Intro 9/14/01	Investments in wholesale energy	Would have requested that each state agency, including CalSTRS, determine whether to continue investing in any wholesale energy-related business that has refused to comply with a subpoena issued by a specified Senate Select Committee.	Died in Senate

2001 STATE LEGISLATION (2001-02 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 135 (Havice) Intro 1/23/01	Purchasing Power Protection	Increases purchasing power protection from 75 percent to 85-80 percent.	840 (10/13/01)
AB 607 (Negrete McLeod) Intro 2/22/01	Career Factor	Would have increased current 2.4 percent limit on combined age factor and career factor for members who retire on or after January 1, 2002 to 2.6 percent.	Died in Assembly
AB 649 (Negrete McLeod) Intro 2/22/01	Alternative retirement plans for part-time community college employees	In previous version, requires community college districts to offer Social Security coverage and an alternative retirement plan to their part-time employees and allows part-time classified community college employees to participate in CB Benefit Program, if offered by employer. Provisions deleted and replaced with provisions to ratify memorandum of understanding between the State and state employees. <i>Sponsor: Department of Personnel Administration</i>	364 (9/27/01); effective 9/27/01
AB 804 (Strom-Martin) Intro 2/22/01	Notification of CBEST requirements	Requires that the Board notify members about the time constraints and possible requirements for passing the California basic educational skills test (CBEST) if the individual wants to return to the classroom after 39 months. <i>Sponsor: Los Angeles Juvenile Court</i>	734 (10/11/01)
AB 906 (Salinas) Intro 2/23/01	Contribution Rates	Provides legislative ratification of collective bargaining agreements reached between the State and Bargaining Units 10, 12, 13, 16, 18 and 19 and includes benefit enhancements for specified state employees not represented by an employee organization.	365 (9/27/01); effective 9/27/01
AJR 3 (Leonard) Intro 2/16/01	Repeal of the Social Security GPO and WEP	Requests that Congress repeal the Government Pension Offset and the Windfall Elimination Provision on Social Security benefits.	R66 (6/21/01)
AJR 6 (Canciamilla) Intro 3/5/01	Federal Retirement Security and Savings Act	Would have requested that Congress enact legislation similar to last year's H.R. 1102, to raise contribution limits and expand pension portability among various types of public and private pension and retirement plans.	Died in Senate
SB 165 (O'Connell) Intro 2/1/01	CalPERS/CalSTRS Election	Permits a vested member of CalPERS not employed in an education-related position who accepts employment to perform creditable service covered by the DB Program, to elect to be excluded from CalSTRS and retain membership in CalPERS.	77 (7/19/01)
SB 191 (Karnette) Intro 2/28/01	Retirement and health benefits	Would have required CalSTRS make annual contributions to members' DBS Program accounts until 7/1/11 based on their years of credited service. Requires CalSTRS to pay the Medicare Part B premiums of active and retired DB Program members who are at least 55 years of age as of 1/1/02. Would have required CalSTRS establish nominal accounts and credit each with \$600 per year to pay healthcare insurance premiums for DB Program members who retired before 1/1/01. <i>Sponsor: California Legislative Council of Professional Engineers</i>	Died in Senate

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 334 (Ortiz) Intro 2/20/01	Teachers' retirement benefits following reinstatement	Increases benefits for members who retired from service, reinstate and perform creditable service for two years following reinstatement from a prior retirement. (Urgency statute)	800 (10/13/01); effective 10/13/01
SB 499 (Soto) Intro 2/22/01	CalSTRS program adjustments	Eliminates future education requirements for dependent children receiving a disability or family allowance under Coverage A; increases loan limits for the Home Loan Program; allows DB Program members who were former CB Benefit Program participants to purchase their prior CB service credit.	802 (10/13/01)
SB 501 (PE&R) Intro 2/22/01	CalSTRS Technical Housekeeping	Makes a variety of technical changes to the Teachers' Retirement Law to improve system administration.	803 (10/13/01)
SJR 4 (Soto) Intro 2/21/01	Elimination of the Social Security GPO and WEP	Requests that Congress eliminate the application of the GPO and the WEP on Social Security benefits.	R94 (7/26/01)

2000 STATE LEGISLATION (1999-2000 Legislative Session)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 107 (Knox) Intro 12/22/98	Tobacco divestment	Would have prohibited new or additional investments in tobacco companies by CalSTRS and CalPERS on and after January 1, 2001 and would have required the divestment of existing tobacco investments by July 1, 2002. Also would have provided indemnification for Board members. <i>Sponsor: City of West Hollywood</i>	Died in Assembly
AB 141 (Knox) Intro 1/11/99	Earnings limit exemption	Extends a current exemption from the earnings limitation for retired members of CalSTRS who are employed under specified conditions to fill an administrative position vacated due to circumstances beyond the control of the employer. The extension could equal one-half of a full-time equivalent for the position and applies to the 1999-2000 school year and the 2000-2001 school year through December 31, 2000. <i>Sponsor: California Pharmacists Association, Engineers and Scientists of California, Region 8 States Council of the United Food and Commercial Workers (co-sponsors)</i>	22 (5/19/00); effective 6/1/00
AB 429 (Correa) Intro 2/12/99	Ad hoc payment	Provides an ad hoc increase of 1-6 percent to the annual allowance for current benefit recipients. <i>Sponsor: CalSTRS</i>	1027 (9/30/00),
AB 649 (Machado) Intro 2/23/99	Public pension reciprocity	Allows CalSTRS members who became employed by the State and eligible for CalPERS membership to elect to retain CalSTRS membership. <i>Sponsor: Department of Personnel Administration</i>	402 (9/11/00)
AB 684 (Honda) Intro 2/23/99	Compounded COLA	Would have changed the annual improvement factor applied to benefit payments from the CalSTRS DB Program from a 2% simple cost-of-living adjustment (COLA) to a 2% compounded COLA. <i>Sponsor: California Federation of Teachers</i>	Died in Assembly
AB 816 (PER&SS) Intro 2/24/99	CalSTRS Technical Housekeeping	Annual CalSTRS technical housekeeping bill with various technical and conforming changes to the Teachers' Retirement Law. <i>Sponsor: CalSTRS</i>	1025 (9/30/00)
AB 820 (PER&SS) Intro 2/24/99	Minor improvements to the State Teachers' Retirement Plan	Authorizes a CalSTRS member to redeposit a portion of previously refunded contributions; permits purchase of previously excluded service; allows naming of new spouse by unmodified retired member; expands participation in CB Benefit Program by trustees of governing boards. <i>Sponsor: California Retired Teachers Association, California Teachers Association (co-sponsors)</i>	1020 (9/30/00)
AB 821 (PER&SS) Intro 2/24/99	One-Year Final Compensation	Bases final compensation on the highest average annual compensation earnable by a member during a consecutive 12-month period of employment, rather than highest three consecutive years for members with at least 25 years of credited service. <i>Sponsor: California Federation of Teachers, California Teachers' Association, United Teachers' of Los Angeles (co-sponsors)</i>	1028 (9/30/00)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1509 (Machado) Intro 2/26/99	Defined Benefit Supplement Program	Requires that 25 percent of the contributions of members of the DB Program be credited for the next 10 years to a separate nominal account in the DBS Program.	74 (7/5/00)
AB 1733 (Wildman) Intro 1/6/00	Earnings Limit Exemption	Temporarily eliminates earnings limit exemption for members who return to work more than one year after retirement and increases limitation for other retired members. <i>Sponsor: California Teachers Association</i>	896 (9/29/00)
AB 1736 (Ducheny) Intro 1/6/01	Earnings Limit Exemption	Increases the earnings limit to \$22,000 and eliminates the post retirement earnings limitation requirement until 2008 for members who return to work after at least one year of retirement.	351 (9/8/00)
AB 1933 (Strom-Martin) Intro 2/15/00	Longevity Bonus	Pays a "longevity bonus" of \$200 - \$400 per month for members who retire after 2000 and accrue at least 30 years of credited service by 2011. <i>Sponsor: California Teachers Association</i>	1029 (9/30/00)
AB 2118 (Bock) Intro 2/22/00	CalSTRS/CalPERS Merger Study	Would have required CalSTRS and CalPERS to prepare and submit a report to the Legislature on the consequences of a merger of the Systems.	Died in Senate
AB 2201 (Honda) Intro 2/24/01	Final Compensation; Purchasing Power; Board Elections	Would have calculated final compensation on the highest 12 consecutive months; would have increased retirement formula to 2% at age 55, provided a compounded COLA, increased purchasing power protection from 75% to 80% and required the election of board members to the Teachers' Retirement Board. <i>Sponsor: California Teachers Association</i>	Died in Assembly
AB 2383 (Keeley) Intro 2/24/00	PEMHCA Eligibility and Health Benefits Study	Expands eligibility under Public Employees Medical and Hospital Care Act (PEMHCA) to authorize contracting agencies and school employers to include certain part-time employees in coverage under PEMHCA. It also requires CalSTRS to report on specified health benefits by April 1, 2001. <i>Sponsor: CalSTRS</i>	874 (9/29/00)
AB 2456 (Wright) Intro 2/24/00	Lump-sum payments	Allows members of the DB Program to elect to receive a lump-sum payment and a reduced monthly allowance who retire on or after January 1, 2002 and before 2011. <i>Sponsor: Faculty Association of California Community Colleges</i>	897 (9/29/00)
AB 2700 (Lempert) Intro 2/25/00	Creditable Compensation	Makes all compensation for creditable service creditable to CalSTRS and credits member and employer contributions for service in excess of 1.000 years of service per school year to the DBS Program. <i>Sponsor: CalSTRS</i>	1021 (9/30/00); effective 1/1/02 & 7/1/02
AB 2745 (Kaloogian) Intro 2/25/00	Investments	Would have required CalSTRS and CalPERS to investigate and report to the Legislature with respect to investments in foreign companies that pose a threat to national security.	Died in Assembly
AB 2839 (Firebaugh) Intro 3/2/00	CalSTRS retirement formula	Would have increased the retirement formula to 2% at age 55, for CalSTRS members who retire on or after January 1, 2001. <i>Sponsor: California Federation of Teachers</i>	Died in Assembly
SB 39 (Alpert) Intro 12/7/98	Career Bonus benefit enhancement	Would have increased the career bonus for members with 29 or more years of credited service who retire on or after January 1, 2000. <i>Sponsor: California Teacher's Association</i>	Died in Senate

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 318 (Burton) Intro 2/8/99	Repeal of multiple employer restriction in Cash Balance Benefit Program	Would have repealed provisions of current law that prohibit a members of the DB Program who is employed to perform less than 50% of the full-time equivalent for more than one employer from electing to participate in CB Benefit Program unless all of that member's employers participate in CB Benefit Program. <i>Sponsor: CalSTRS</i>	Died in Senate
SB 473 (Ortiz) Intro 2/17/99	Employer purchase of nonqualified service credit	Would have authorized a school district, community college district, or county office of education to pay all or part of a member's costs for nonqualified service credit (airtime). <i>Sponsor: CalSTRS</i>	Died in Senate
SB 1435 (Johnston) Intro 2/7/00	Health Benefits	Requires CalSTRS to pay the premium of Medicare Part A for retired members of the DB Program not otherwise eligible for coverage without payment of premium. <i>Sponsor: CalSTRS</i>	1032 (9/30/00)
SB 1505 (Burton) Intro 2/15/00	Minimum Allowance Extension	Extends eligibility for the minimum guaranteed allowance enacted in Chapter 632, Statutes of 1999 (SB 713 - Burton) that is paid to CalSTRS members, their option beneficiaries and surviving spouses, in varying amounts according to the member's years of credited service.	1026 (9/30/00); effective 6/1/00
SB 1666 (Alarcon) Intro 2/22/00	Earnings Limit Exemption	Exempts from the earnings limit a member who retires for service on or before January 1, 2000, if the member returns to provide direct classroom instruction to pupils in K-12, or to provide support to (1) new teachers, (2) individuals completing student teaching assignments, or (3) participating in (a) the Preinternship Teaching Program, (b) an alternative certification program, or (c) the School Paraprofessional Teacher Training Program.	70 (7/5/00)
SB 1692 (Ortiz) Intro 2/22/00	Return to service	Would have enhanced retirement benefits for retirees who reinstate for one year and re-retire. <i>Sponsor: California Retired Teachers Association, California Teachers Association, California Federation of Teachers, Faculty Attempting to Improve Retirement (co-sponsors)</i>	Governor Veto (9/28/00)
SB 1693 (Ortiz) Intro 2/22/00	Purchasing Power	Would have increased purchasing power protection payments from 75 percent of the initial allowance to 80 percent. <i>Sponsor: California Retired Teachers Association, Association of Retired Teachers, California Teachers' Association, California Federation of Teachers (co-sponsors)</i>	Died in Senate
SB 1694 (Ortiz) Intro 2/22/00	CalSTRS/CalPERS membership election for state employees	Permits state members of CalPERS who perform service creditable to CalSTRS to remain in CalPERS. Permits CalSTRS members who work for the State to remain in CalSTRS. <i>Sponsor: State Department of Education</i>	880 (9/29/00)
SB 1928 (Haynes) Intro 2/24/00	Investments	Would have required CalSTRS and CalPERS to investigate and report to the Legislature with respect to investments in foreign companies that pose a threat to national security. <i>Sponsor: Haynes</i>	Died in Assembly
SB 2105 (Lewis) Intro 2/25/00	Reporting for Charter Schools	Requires a school district or county office of education, as a chartering authority, to create any reports required of a charter school by CalSTRS or CalPERS.	466 (9/18/00)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 2122 (Ortiz) Intro 2/25/00	Investment information	Encourages CalSTRS and CalPERS to cooperate and share information developing investment strategies and specifies that the confidential information and documents of each system will be preserved in the process. <i>Sponsor: State Controller Kathleen Connell</i>	320 (9/7/00)
SCA 16 (Burton) Intro 3/6/00	Budgetary authority	Would have required that CalSTRS and CalPERS administrative and personnel budgets be approved in the annual Budget Act and authorized the Governor or the Legislature, once every five years, to cause an independent actuarial review to be conducted of CalSTRS.	Died in Senate

1999 STATE LEGISLATION (1999-2000 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 29 (Pacheco) Intro 12/7/98	Suspension and expulsion of pupils	Provided an exemption to the earnings limit for retired teachers returning to work to meet the objectives of the proposed Grade 10 Class Size Reduction Program established in the bill. Was amended to address expulsion of pupils; no impact on CalSTRS	345 (9/8/00)
AB 81 (Cuneen) Intro 12/9/98	Income tax credits; donation of teachers to high schools; open enrollment spaces in company-sponsored classes	Authorizes a 50 percent tax credit through 2003 for taxpayers for qualified expenses incurred in lending qualified employees to public high schools, community colleges, or vocation institutions for the purpose of teaching math and science. <i>Sponsor: Semiconductor Equipment Manufacturing International</i>	Died in Assembly
AB 311 (Honda) Intro 2/8/99	Teachers' Retirement Board	Would have revised the composition of the Board to require five members of the Board to be elected, at an election provided for by the Board, by the members of the group to which they belong for four-year terms. The terms would have commenced on January 1, 2001 or on January 1, 2002. <i>Sponsor: California Teachers Association</i>	Governor Veto (10/10/99)
AB 335 (Mazzoni) Intro 2/11/99	CalSTRS earnings limit waiver for Class Size Reduction	Clarifies and conforms the existing earnings limitation exemption for retired teachers who returned to the classroom as a result of the K-3 Class Size Reduction Program to include the recently authorized Grade 9 Class Size Reduction Program and the future expansions of the Class Size Reduction Programs authorized by Part 28 of the Education Code. <i>Sponsor: CalSTRS</i>	40 (6/28/99)
AB 596 (Honda) Intro 2/19/99	Retirement: Service Credit	Member purchase of credit for Peace Corps and VISTA service (amended to exclude CalSTRS)	834 (10/10/99)
AB 724 (Dutra) Intro 2/24/99	"Y2K" remediation by state agencies	Y2K remediation by state agencies (amended to exclude CalSTRS)	784 (10/10/99)
AB 819 (PER&SS) Intro 2/24/99	Internal Revenue Code 415 compliance	Establishes the Replacements Benefit Program in compliance with federal law; rescinds the election CalSTRS made exempting certain members from existing federal limitations on benefit payments; requires CalSTRS to restore benefits to certain members previously limited by federal law. <i>Sponsor: CalSTRS</i>	465 (9/23/99)
AB 12X (Runner) Intro 1/19/99	Rule of 85	Would have permitted a member of CalSTRS to retire for service on or after 7/1/00 at age 55 or older without age-related allowance reduction if the sum of the member's age and credited service is at least 85.	Died in Assembly
AJR 9 (Correa) Intro 3/3/99	Mandatory Social Security	Encourages U.S. Congress and President to exclude state and local employees from mandatory social security. <i>Sponsor: CalSTRS</i>	R40 (5/26/99)
SB 73 (Murray) Intro 12/9/98	State contracts	State contracts; participation goals for small businesses (amended to exclude CalSTRS).	Governor Veto (10/10/99)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 105 (Burton) Intro 12/10/98	CalSTRS/CalPERS; investments; Northern Ireland	Requires CalSTRS and CalPERS to investigate the extent to which the U.S. and international corporations operate in Northern Ireland. <i>Sponsor: Burton</i>	341 (9/7/99)
SB 159 (Johnston) Intro 1/7/99	CalSTRS health care benefits	Requires CalSTRS to develop a program to provide health benefits for members, beneficiaries, children and dependent parents and appropriates \$625,000 to develop the program. <i>Sponsor: CalSTRS</i>	740 (10/10/99)
SB 437 (Rainey) Intro 2/16/99	Restoration of surviving spouse benefits due to remarriage	Restores benefits paid to a surviving spouse of a deceased member of CalSTRS if the surviving spouse previously lost entitlement to survivor benefits due to remarriage, prior to 10/16/92. <i>Sponsor: Rainey</i>	432 (9/16/99)
SB 713 (Burton) Intro 2/24/99	CalSTRS minimum allowance for career members	Establishes minimum annual allowances payable to specified retired members of CalSTRS, their option beneficiaries and surviving spouses in varied amounts according to the member's years of credited service. <i>Sponsor: CalSTRS</i>	632 (10/10/99)
SB 833 (Ortiz) Intro 2/25/99	Application of 1999 enhanced benefits to existing retired members	Would have provided to CalSTRS members who retired in 1998 or received their first check in 1998, the benefit enhancements currently available to members who retired after 1999. Also would have increased the benefits of those members who are currently retired, but return to service for one year and whose total credited service equals or exceeds 30 years to reflect the "career bonus" in their entire allowance. <i>Sponsor: California Retired Teachers Association, Association of Retired Teachers, California Teachers Association, California Federation of Teachers, United Teachers of Los Angeles, Faculty Attempting to Improve Retirement, Faculty Association of California Community Colleges, Association of California School Administrators (co-sponsors)</i>	Governor Veto (10/10/99)
SB 1074 (PE&R) Intro 2/26/99	CalSTRS Technical Housekeeping	Annual CalSTRS technical housekeeping bill with various technical and conforming changes to the Teachers' Retirement Law. <i>Sponsor: CalSTRS</i>	939 (10/10/99)
SB 1245 (Hayden) Intro 2/26/99	CalSTRS/CalPERS; investments; corporations owing compensation for using slave/forced labor in WWII	Authorizes any World War II slave labor or forced labor victim, or heir of the victim, to bring a court action in California to recover compensation for labor performed against any entity or successor in interest who received the benefit that labor. Requires CalSTRS to monitor and report until 12/31/10, on investments in companies that do business in California that owe compensation to victims of slave labor from 1929 to 1945.	216 (7/28/99)

1998 STATE LEGISLATION (1997-1998 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 88 (Baca) Intro 12/30/96	Rule of 85	Would allow a member of CalSTRS, who is 55 years of age or older to retire on or after 7/1/98, with full retirement benefits if the member's age plus years of credited service equals or exceeds 85.	Governor Veto (9/13/98)
AB 884 (Honda) Intro 2/27/97	Compounded Cola	Would have required that the 2 percent improvement factor applied to benefit payments from the CalSTRS Defined Benefit Program be compounded, beginning 9/1/99.	Died in Senate
AB 1102 (Knox) Intro 2/27/97	Service Credit (Unused Sick Leave)	Would: 1) extend eligibility to receive credit at retirement for unused sick leave to members of CalSTRS DB Plan who became members on and after 7/1/80, and who retire on or after 1/1/98; and 2) eliminate the restriction that currently prohibits a CalSTRS member who reinstates from service retirement from receiving credit at a subsequent retirement for unused sick leave accrued after termination of the original retirement.	1006 (9/30/98)
AB 1150 (Prenter) Intro 2/28/97	CalSTRS Benefits	Incrementally increased the benefit factor from 2 percent at age 60 to 2.4 percent at age 63.	966 (9/29/98)
AB 1166 (House) Intro 2/28/97	Community College Counselors and Librarians, Part Time and Adult Education	Establishes a minimum standard of 175 days or 1,050 hours for full-time service and compensation for California community college counselors and librarians. Modifies the minimum standard service for adult education programs, and part-time credit and non-credit and adult education community college instructors.	678 (9/22/98)
AB 1744 (Knox, et al) Intro 2/3/98	Tobacco Investments	Would have: 1) prohibited new or additional investments by the TRF and the PERF in tobacco companies on and after January 1, 1999; 2) required phased divestment of one-third of current holdings each year beginning January 1, 2000, and continuing until January 1, 2002; 3) required the Board to make specified investment valuations at specified intervals; declare that specified results of such valuations be considered as a normal cost deficit pursuant to Section 22955 (Elder Full Funding); and 4) required both STRS and PERS to report to the Legislature on or after January 1, 2002 regarding the effect of the divestiture on employer contribution rates. The bill provides for indemnification for Board members and their agents and employees in the event of lawsuit.	Died in Assembly
AB 2765 (PER&SS) Intro 2/26/98	CalSTRS Technical Housekeeping	Make various technical and conforming changes to the TRL. Extends the sunset date on earnings exemption for retirees teaching in class size reduction. Deletes requirement for quarterly asset reports to the Legislature. Extends the sunset date to January 1, 2005, for electing Medicare coverage.	965 (9/29/98)
AB 2766 (PER&SS) Intro 2/26/98	Final Compensation for LAUSD	Would have revised the definition of final compensation for specified LAUSD members who retired in the early 1990's. Funding would be at least partially provided by LAUSD.	Died in Senate

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1102 (Knox) Intro 2/27/97	Public employees retirement: sick leave	Extends eligibility and eliminates the restriction on credit for unused sick leave; establishes a career bonus for members with 30 or more years of service; guarantees funding stream for purchasing power protection payments. <i>Sponsor: California Teachers Association</i>	1006 (9/30/98)
AB 1150 (Prenter) Intro 2/28/97	CalSTRS benefits	Incrementally increases the benefit factor from 2 percent at age 60 to 2.4 percent at age 63.	966 (9/29/98)
AB 2765 PER&SS Intro 2/26/98	CalSTRS Technical Housekeeping	Extends earnings exemption for class size reduction and the sunset date to January 1, 2005 for certain Medicare coverage. <i>Sponsor: CalSTRS</i>	965 (9/29/98)
AB 2804 PER&SS Intro 3/12/98	Public retirement systems benefits	Reamortizes the unfunded liability over 30 years; provide 65 percent of Elder Full Funding to pay for benefits.	967 (9/29/98)
SB 1528 (Schiff) Intro 2/10/98	CalSTRS health insurance	Authorizes the Board to study providing health care benefits to members and families. <i>Sponsor: California Retired Teachers Association</i>	968 (9/29/98)
SB 1945 (Karnette) Intro 2/19/98	CalSTRS benefits	Establishes 100 percent financing in Member Home Loan Program. <i>Sponsor: Karnette, CalSTRS (co-sponsors)</i>	419 (8/31/98)
SB 2126 (Schiff) Intro 2/20/98	CalSTRS benefits	Modifies SB 1027/1997 regarding the purchase of permissive and out-of-state service credit, as specified; permits the purchase of "nonqualified" service. <i>Sponsor: CalSTRS</i>	1076 (9/30/98)
SB 2047 (Lewis) Intro 2/20/98	CalSTRS benefits	Adds Option 8 to allow for multiple option beneficiaries and modifies existing options, as specified. <i>Sponsor: Lewis, CalSTRS (co-sponsors)</i>	349 (8/24/98)
SB 2224 (Alpert) Intro 2/20/98	CalSTRS benefits	Provides for the return to an unmodified allowance for certain members, as specified. <i>Sponsor: California Retired Teachers Association</i>	832 (9/25/98)

1997 STATE LEGISLATION (1997-1998 Legislative Session)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 18 (Mazzoni) Intro 12/2/96	Class Size Reduction; earnings limit exemption	As an urgency measure, allows the earnings limitation exemption enacted by Chapter 948/96 (AB-1068, Mazzoni) to become operative.	1 (2/11/97); retroactive to 7/1/96
AB 88 (Baca) Intro 12/30/96	Rule of 85	Would have allowed a member of CalSTRS, who is 55 years of age or older to retire on or after 7/1/98, with full retirement benefits if the member's age plus years of credited service equals or exceeds 85.	Governor Veto (9/13/98)
AB 206 (Hertzberg) Intro 2/4/97	Citizen complaints to the State via the Internet	Requires state agencies to make available on their Internet Web sites on or before 7/1/98, a plain-language form through which California residents can register complaints relating to the performance of that agency and requires agencies to provide certain information, as specified.	416 (9/21/97)
AB 373 (Morrissey) Intro 2/4/97	Extension of Post- Retirement Earnings Limit Exemption (Golden Handshake)	Would extend eligibility for an exemption from the post-retirement earnings limitation to retired members who received additional service credit at retirement under the Golden Handshake provisions, subject only to a one-year waiting period. <i>Sponsor: Orange County Department of Education</i>	Merged with AB 686; 572 (9/29/97)
AB 686 (Baugh) Intro 2/26/97	Establish classification of Special Education Instructors; extension of Post- Retirement Earnings Limit Exemption (Golden Handshake)	1) Provides authority for any County Office of Education, under specified circumstances, to establish two classes of employees for members of CalSTRS' DB Program who are employed in a special education program, as determined by the number of days required of employees in each class for full-time service; and 2) extends eligibility for an exemption from the post-retirement earnings limitation to retired members who received additional service credit at retirement under the Golden Handshake provisions, subject only to a one-year waiting period. <i>Sponsor: Orange County Department of Education</i>	572 (9/29/97)
AB 884 (Honda) Intro 2/27/97	Compounded COLA	Would have revised compounding of "2% improvement factor" applied to benefit payments from the CalSTRS DB Program shall be compounded. <i>Sponsor: California Federation of Teachers</i>	Died in Senate
AB 885 (Honda) Intro 2/27/97	Teachers' Retirement Board	Would have required that the four "teacher" members of the Board be elected to the Board from their respective constituencies, rather than appointed by the Governor. <i>Sponsor: California Teachers Association</i>	Governor Veto (9/29/97)
AB 1102 (Knox) Intro 2/27/97	Service Credit; unused sick leave	Would have 1) extended eligibility to receive credit at retirement for unused sick leave to members of CalSTRS DB Program who became members on and after 7/1/80 and who retire on or after 1/1/98; and 2) eliminated the restriction that currently prohibits a CalSTRS member who reinstates from service retirement from receiving credit at a subsequent retirement for unused sick leave accrued after termination of the original retirement. <i>Sponsor: California Teachers Association</i>	1006 (9/30/98)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1421 (Lempert) Intro 2/28/97	Nonmember spouse final compensation	Would have amended the TRL to require that a nonmember spouse's service retirement allowance be calculated based on the member's earnable compensation as of the effective date of the nonmember spouse's retirement and proposed a similar change to CalPERS Law.	Died in Assembly
AB 1597 (PER&SS Committee) Intro 3/20/97	CalSTRS Technical Housekeeping	Would have made various technical and conforming changes to the TRL and extended the Golden Handshake Program to 2004. Note: Due to a chaptering-out problem with SB 629, the Governor vetoed the bill at the author's request; however, the author has agreed to reintroduce the bill next year. If the Governor had signed this legislation, it would have voided-out the provisions contained in SB 629. <i>Sponsor: CalSTRS</i>	Governor Veto (10/10/97); Author agreed to pursue next legislative session
ACR 4 (Perata) Intro 1/13/97	Investments; tobacco advertisement restriction	Urges the shareholders of R.J. Reynolds Tobacco Company to vote to discontinue the use of the character "Joe Camel" in its advertising.	91 (9/2/97)
SB 227 (Solis) Intro 1/30/97	CalSTRS/CalPERS elections; Chancellor's Office employee, change in status	1) Permits members of CalSTRS who are employed by a community college district who subsequently become employed by a state agency, as specified, that requires membership in a different retirement system (e.g., CalPERS) to elect to remain in CalSTRS under specified conditions; 2) similarly allows a member of CalPERS, under specified conditions, to elect to remain in CalPERS; 3) permits specified institutions and organizations to enter into an agreement for the loan or assignment of a Chancellor's Office employee, as specified; 4) provides for specified CalPERS members to elect by 3/1/98 to return to CalSTRS under certain conditions; and 5) requires a member who makes such an election to purchase the CalPERS service. In addition, CalPERS would transfer the actuarial present value of the assets of the person to CalSTRS. <i>Sponsor: Chancellor's Office, California Community Colleges (co-sponsors)</i>	838 (10/10/97)
SB 471 (Burton) Intro 2/19/97	CalSTRS Technical Housekeeping	Makes minor technical changes to the definition of "compensation," and related technical changes to other sections of the TRL. <i>Sponsor: CalSTRS</i>	482 (9/24/97)
SB 629 (Karnette) Intro 2/25/97	Expand disability benefits	Expands eligibility for disability benefits by eliminating the minimum service credit requirement for members applying for a Disability Allowance or Disability Retirement because they were a victim of an unlawful act of bodily injury while performing their official duties. <i>Sponsor: United Teachers of Los Angeles</i>	386 (8/26/97)
SB 1021 (PE&R Committee) Intro 2/27/97	Federal compliance; pension simplification	Amends the TRL to bring CalSTRS into compliance with federal changes applicable to the CalSTRS DB Program enacted by Congress under the Pension Simplification Act of 1996 and Taxpayers Relief Act of 1997. <i>Sponsor: CalPERS</i>	1074 (9/30/98)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 1026 (Schiff) Intro 2/27/97	75 percent Purchasing Power Protection	Provides purchasing power protection of up to 75 percent of the benefit recipient's original purchasing power from the 2.5 percent annual General Fund contribution for as long as it could support that level of funding; allows the Board to a) transfer funds from the TRF, b) increase employer contributions, c) decrease the benefit when the 2.5 percent annual General Fund contribution is insufficient to support 75 percent purchasing power. <i>Sponsor: California Retired Teachers Association, Association of Retired Teachers, California Teachers Association, California Federation of Teachers (co-sponsors)</i>	939 (10/12/97)
SB 1027 (Schiff) Intro 2/27/97	Member redeposit of nonmember spouse refund; out- of-state service credit	Authorizes members of CalSTRS to redeposit contributions withdrawn by a nonmember spouse and purchase additional service credit for out-of-state public school employment without any date restriction. <i>Sponsor: CalSTRS</i>	569 (9/28/97)

1996 STATE LEGISLATION (1995-1996 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 166 (Cannella) Intro 1/19/95	Medicare	Extends to 7/1/99, the current bargaining window for CalSTRS-covered employees to elect Medicare coverage. Repeals the provision on 1/1/2000. Includes urgency provision. <i>Sponsor: California Teachers' Association</i>	318 (7/29/96); effective 7/30/96
AB 430 (Cannella) Intro 2/15/95	Options benefit	Would have allowed any member who retired prior to 1/1/91, under Option 2 or 3 and whose beneficiary has died prior to 1/1/95 and no new option beneficiary has been named by the retired member, to return to the unmodified allowance and provides funding for increased program costs. <i>Sponsor: California Retired Teachers; Association</i>	Died in Assembly
AB 850 (Morrissey) Intro 2/22/95	Federal tax compliance	As an urgency measure, adds provisions to the Revenue and Taxation Code that "qualified retirement income" from sources within California are excluded from the gross income of a non-resident for state income tax purposes. Nonresidents who earn income other than pensions from work in California will still remain subject to tax on their California earnings.	506 (9/14/96); effective 7/1/96
AB 978 (Thompson) Intro 2/23/95	Education Code Revision	Would have established a 21 member commission on 1/1/97 to revise the Education Code; repealed effective 1/1/99 most of Title 1 and 2 of the Education Code regarding elementary and secondary education including the TRL contained in Parts 13 and 14 of Title 1; and the commission would be required to submit a recommended revised Education Code to the Legislature by 1/1/98. <i>Sponsor: Governor's Office of Child Development and Education</i>	Died in Assembly
AB 1068 (Mazzoni) Intro 2/23/95	Class Size Reduction; Post-retirement Earnings Limit Exemption)	Provides until 7/1/99 that earnings paid to a member who retired on or before 7/1/96 and is employed in grades K-12 because of the class size reduction program are exempt from the post retirement earnings limitation. Note: Double-joined with a bill that failed passage. CalSTRS pursued an urgency measure in January '98 to correct the double-joining problem. <i>Sponsor: Association of Low Wealth Schools</i>	948 (9/25/96); never became operative
AB 1463 (Horcher) Intro 2/24/95	Rule of 85	Would have allowed a member of CalSTRS who is 50 years of age or older to retire on or after 7/1/96 with full retirement benefits if the member's age plus years of credited service equals or exceeds 85. These provisions would be repealed on 1/1/99. <i>Sponsor: United Teachers of Los Angeles</i>	Died in Assembly
AB 2400 (Miller) Intro 2/16/96	Local retirement systems	Deletes specific prohibitions in PERS law regarding classified school employee 's benefits and allow election of optional benefits and termination of contracts. Note: The provisions that would have impacted CalSTRS were deleted from the bill in the 5/14/96 amendments. <i>Sponsor: School Services of California, Inc.</i>	1164 (9/30/96)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 2673 (Ducheny) Intro 2/22/96	Cash Balance Benefit Program; Technical Housekeeping	As an urgency measure, amends the CB Benefit Program statutes as necessary to facilitate employers' "option" to offer the Program. Makes other technical and conforming amendments as appropriate. Note: Enabling legislation was introduced in 1995 as a mandate, but was amended late in that legislative session to allow employers the choice of offering the plan. <i>Sponsor: CalSTRS</i>	608 (9/18/96); effective 7/1/96
AB 3032 (Burton) Intro 2/23/96	Continued eligibility for students; revision of TRL definitions	1) Eliminates the requirement that a dependent child between the ages of 18 or 22 must maintain full-time student status to remain eligible for the child's portion of a disability or family allowance under Coverage A (Provisions sunset 2002); 2) repeals the definition of "compensation" and "salary" and adds a definition of "creditable compensation," making clarifying amendments as appropriate; and 3) amends the definition of "class of employees," as specified. <i>Sponsor: CalSTRS</i>	1165 (9/30/96)
AB 3221 (Gallegos) Intro 2/23/96	CalSTRS/CalPERS Election Process	1) Amends provisions specifying the process and time limit for electing membership in CalSTRS or other public school employment under specified conditions; and 2) adds provisions requiring employers to inform employees within 10 working days from the date of hire of their right to make an election. Once received and accepted by the retirement system, the election shall become effective as of the first day of employment in the position that qualified the member to make an election. <i>Sponsor: CalSTRS</i>	383 (8/17/96)
AB 3252 (Kaloogian) Intro 2/23/96	Establish the PEDCR Plan	Would have established the Public Employees' Defined Contribution Retirement (PEDCR) Plan for state and other local public agency employees whose employers elect to participate in the Plan. Would also specify that the day-to-day administration of the Defined Contribution Plan shall be contracted out to a private third party administrator and funded by employer and employee contributions. <i>Sponsor: Kaloogian</i>	Died in Senate
AB 3332 (Knox) Intro 2/21/96	Domestic Partners	Would have added a new chapter to the TRL extending eligibility for CalSTRS benefits currently available to spouses to domestic partners, but only upon a school districts' election to be subject to these provisions. <i>Sponsor: California Teachers' Association</i>	Died in Committee
AB 3445 (Knox) Intro 2/23/96	Investments; tobacco companies	Would have: 1) prohibited new investments of State trust funds in tobacco companies on and after 1/1/97; 2) required phased divestment of one-third of current holdings each year beginning 1/1/98 and continuing until 1/1/2000; and 3) provided for indemnification for Board members and their agents and employees.	Died in Committee
SB 168 (Hughes) Intro 1/30/95	Teachers' Retirement Board	Would have required that the four "teacher" members of the Board be elected from their respective constituencies rather than appointed by the Governor. <i>Sponsor: Association of Retired Teachers, California Teachers' Association (co-sponsors)</i>	Bill withdrawn by author

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 471 (Dills) Intro 2/17/95	Health Insurance	Would have authorized the Board to contract for health insurance, including vision and dental care to members, beneficiaries, children and dependent parents. <i>Sponsor: California Retired Teachers' Association</i>	Died in Assembly
SB 747 (Hughes) Intro 2/23/95	Purchasing Power Protection	Would have required the Board to include in the Annual Erosion of Purchasing Power Report information on the effect of reducing the annual SBMA loan repayment amount and repaying that loan over 5, 10 and 15 year periods. <i>Sponsor: Association of Retired Teachers, California Retired Teachers Association, Association of California School Administrators (co-sponsors)</i>	Bill withdrawn by author
SB 1517 (Johnston) Intro 2/13/96	Federal tax compliance	Would have added provisions to the California Revenue and Taxation Code to specify that, for state income tax purposes, qualified retirement income from a source within California would be excluded from the gross income of a nonresident and would bring state statutes into compliance with recently enacted federal law. Note: bill was gutted, no longer impacting CalSTRS.	Inactive File
SB 1658 (Costa) Intro 2/21/96	Options Benefit Survey	Would have required the Board to conduct a sample survey to determine the number of members and cost for those who retired before 1/1/91 with an Option 2 or 3 to return to the unmodified allowance if the option beneficiary died prior to 1/1/95. At the request of the sponsor, the Board agreed to conduct the survey without legislation. Note: At the request of the sponsor, the Board agreed at its July '96 meeting to conduct the survey without legislation during 1997. <i>Sponsor: California Retired Teachers Association.</i>	Died in Committee
SB 1877 (Rogers) Intro 2/22/96	Federal Compliance (USERRA)	Enacts provisions for CalSTRS/CalPERS and the 37 Act counties to be in compliance with the federal USERRA. <i>Sponsor: CalPERS, 37 Act Counties (co-sponsors)</i>	680 (9/20/96)
SB 2016 (O'Connell) Intro 2/23/96	Compounded 2% Benefit Improvement Factor	Would have provided that beginning 9/1/97, the 2 percent improvement factor applied to CalSTRS benefit payments shall be compounded. <i>Sponsor: California Federation of Teachers</i>	Died in Fiscal Committee (5/19/96)
SB 2041 (Hughes) Intro 2/23/96	CalSTRS Technical Housekeeping	Makes technical and conforming changes made necessary by enactment of the CB Benefit Program and the new definition of member. <i>Sponsor: CalSTRS</i>	634 (9/19/96)
SB 2095 (Johnston, et al) Intro 2/23/96	SBMA Settlement	As an urgency measure appropriates funds, as specified, to the State Board of Control to pay accepted claims. Includes a General Fund appropriation of \$540,000 to settle CalSTRS' claim from 1992 relating to interest payments on the SBMA due to late payment. <i>Sponsor: Board of Control</i>	487 (9/12/96)
SJR 27 (Costa) Intro 5/26/95	Sale of Elk Hills	Memorializes the President and Congress of the U.S. to sell the Elk Hills Naval Petroleum Reserve Numbered 1 while recognizing the State's valid claim to two school land sections within the Reserve and compensate California's retired teachers for their 9% interest in the Reserve upon its sale. <i>Sponsor: CRTA, SLC</i>	68 (9/6/96)
SR 16 (Killea) Intro 2/16/95	Re-establish Commission on Corporate Governance	Re-establishes until 1/31/96, the Commission on Corporate Governance, Shareholder Rights and Securities Transactions to conduct research and make public policy recommendations concerning these subjects.	Adopted (2/1/96)

1995 STATE LEGISLATION (1995-1996 Legislative Session)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 107 (Boland) Intro 1/9/95	Los Angeles School District Reorganization	1) Exempts any city with a population of over 3,000,000 persons from the requirement that a school district may not be reorganized without the consent of the governing board. Existing law specifies that an action to reorganize a school district may be initiated upon the filing of a petition signed by at least 25 percent of the registered voters residing in the territory to be reorganized; and 2) provides that a petition may also be filed to reorganize a single district with over 200,000 pupils into several smaller districts if signed by a number of registered voters equal to at least 8 percent of the votes cast for all candidates for Governor at the last gubernatorial election in the territory to be reorganized; double-joined with Chapter 412/95 (SB-699, Hayden).	267 (8/2/95)
AB 948 (Gallegos) Intro 2/22/95	Post-retirement Earnings Limit Exemption; Post- retirement creditable service	As an urgency measure, 1) facilitates the continued administration of school districts faced with financial difficulties by modifying, under limited circumstances, specific provisions of the EC to permit the employment of retired CalSTRS members in administrative positions, who have specific experience necessary to ensure or restore the financial stability of a troubled school district; and 2) also establishes definitions of various employment activities that are considered "creditable service" and provides that the earnings limitation on post-retirement service is applied only to compensation earned from creditable service. <i>Sponsor: CalSTRS, Association of California School Administrators</i>	394 (8/10/95); effective 7/1/95
AB 1122 (Cannella) Intro 2/23/95	Minimum standards for full-time employment	1) Establishes appropriate minimum standards for full-time employment for all classifications of employees in K-12 and community colleges for crediting service in CalSTRS, while continuing to allow the districts the flexibility to establish specific standards for full-time employment; and 2) makes clarifying amendments to existing definitions and adds new definitions to the EC as necessary and repeals provisions that are made obsolete by these changes. <i>Sponsor: CalSTRS</i>	390 (8/10/95); effective 7/1/96
AB 1298 (Ducheny, et al) Intro 2/23/95	Cash Balance Program	Authorizes CalSTRS to establish a Cash Balance retirement program administered by CalSTRS for part-time public school employees, which employers may elect to provide for persons employed less than half time at a contribution rate that is lower than Social Security tax. Note: The I.R.S. has expressly ruled that CalSTRS' CB Benefit Program qualifies as an alternative retirement plan to Social Security. <i>Sponsor: CalSTRS</i>	592 (10/4/95)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1441 (Horcher) Intro 2/24/95	Survivor benefits, pre-retirement options modifications	1) Eliminate the requirement that a surviving spouse of a CalSTRS member under Coverage A must wait until age 60 to receive a monthly allowance; 2) makes age and service requirements for eligibility to make a pre-retirement election of an option consistent with the requirements for eligibility for retirement; and 3) makes the assessment for cancellation of an option more reflective of the actual costs to CalSTRS for providing the coverage the member received. <i>Sponsor: CalSTRS</i>	524 (10/4/95)
SB 699 (Hayden, et al) Intro 2/22/95	School district reorganization	Specifies that any reorganization of a school district in a city with a population of more than 3,000,000 persons shall ensure that each new district created meets specified conditions, including the maintenance of the conditions of all collective bargaining agreements until their expirations. Bill is double-joined with Chapter 267/95 (AB 107, Boland).	412 (8/10/95)
SB 791 (Hughes) Intro 2/23/95	Federal compliance; Eliminates CalSTRS Annual Report Supplement	1) Amends the Government Code and the Education Code to include a reference to the compensation limit recently mandated by Section 401(a)(17) of the IRC. This requirement limits the annual compensation for the purpose of benefit accruals to \$150,000 for each employee under a qualified pension plan for new members hired on and after 7/1/96; and 2) amends the provisions that prescribe the content of the CalSTRS Annual Report and reporting requirements related to CalSTRS investments. <i>Sponsor: CalPERS, CalSTRS, State Association of County Retirement Systems (co-sponsors)</i>	829 (10/12/95); effective 7/1/96

1994 STATE LEGISLATION (1993-1994 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1470 (Cannella) Intro 3/4/93	Additional years of service credit	Would have granted, upon the Governor's executive order, 3 additional years of service and an additional 3 years of age to state employees, certain employees of contracting agencies and certain CalSTRS members employed in state agencies. The Governor was not convinced the provisions would save money. According to the proponents, a primary purpose of this bill was to avoid layoffs. Although the theory is that savings would accrue through the replacement of highly compensated senior employees with lower paid employees, experience has proven retirement enhancements to be expensive and costing more than initial estimates. <i>Sponsor: Professional Engineer's in California Government, Association of California State Attorneys & Administrative Law Judges, California Association of Highway Patrolmen, California Department of Forestry Employee Association and Orange County Employee Association (co-sponsors)</i>	Governor Veto (5/20/94)
AB 1527 (Burton, et al) Intro 3/4/93	Investments; Northern Ireland	Would have required CalSTRS/CalPERS to monitor annually the extent to which companies in Northern Ireland adhere to principles of nondiscrimination and freedom of opportunity in the workplace. The Governor viewed this legislation the same as another bill he vetoed in 1992 stating that with increasing prospects for political settlement in Northern Ireland, it made no sense to enact this proposal. <i>Sponsor: Burton, et al)</i>	Governor Veto (9/29/94)
AB 2237 (McDonald) Intro 3/5/93	Investments; South African bonds	Authorizes any state or local retirement system to invest in rated or unrated bonds, notes, or other instruments guaranteed by the government of South Africa. Note: The provisions are permissive and does not require action by CalSTRS. <i>Sponsor: McDonald</i>	46 (4/19/94)
AB 2448 (W. Brown, et al) Intro 1/4/94	Investments; repeal of South Africa sanctions	As an urgency measure, repeals existing law that prohibits state trust fund investments in South Africa. <i>Sponsor: Mr. Nelson Mandela, President, African National Congress</i>	31 (3/30/94); effective 3/31/94
AB 2512 (Epple) Intro 1/13/94	Extended Service Retirement formula	Would have provided an incremental increase in the benefit factor of .25 of 1 percent per month up to a maximum of 2.3% at age 65 for CalSTRS members retiring after 6/30/95 with 20 or more years of service credit and whose employer elected to provide this benefit. The Governor vetoed a similar bill last year and objected then to any benefit enhancement coming at the expense of classroom resources. <i>Sponsor: California Teachers' Association</i>	Governor Veto (9/30/94)
AB 2550 (Karnette) Intro 1/19/94	Repeal of Administrative Refund fee	Repeals existing law, which requires CalSTRS to charge an administrative fee for processing a member's request for a refund of his or her member contributions; also permits certain refunds to be canceled and membership to be restored. <i>Sponsor: CalSTRS</i>	932 (9/27/94); effective 7/1/95

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 2554 (Solis) Intro 1/20/94	Part-time teacher notification	Requires CalSTRS employers to provide notification to employees of the employees' right to elect membership in the CalSTRS DB Program and applies an employer penalty for non-compliance. Employers are not liable for employee contributions for service performed prior to 1/1/95. <i>Sponsor: California Federation of Teachers, CalSTRS (co-sponsors)</i>	603 (9/15/94)
AB 2647 (Aguiar) Intro 2/2/94	Adult Education Membership	1) Allows part-time and substitute instructors in adult education who are currently excluded from membership in CalSTRS to elect membership in the CalSTRS DB Program; and 2) requires the employer to return overpaid contributions to the member within 60 days of discovery or notification of the overpayment. <i>Sponsor: California Council for Adult Education</i>	507 (9/11/94)
AB 2648 (Karnette) Intro 2/2/94	Benefit Enhancement Study	Would have required CalSTRS to conduct a study to determine the feasibility of the System to offer certain optional benefit enhancements that members could elect to purchase. The Governor determined that while the bill provides for recovery of the \$75,000 appropriation from CalSTRS members receiving a benefit enhancement, there was no assurance that the TRF would be fully reimbursed and so the Board agreed to undertake the study using its own resources. <i>Sponsor: California Teachers' Association, CalSTRS (co-sponsored)</i>	Governor Veto (9/15/94)
AB 2862 (Lee) Intro 2/17/94	Investments; securities; public retirement systems	Would have authorized any public retirement system to invest in securities guaranteed by the African, Asian and Caribbean Development Banks and the Inter American Bank. <i>Sponsor: Lee</i>	Died in Senate (6/30/94)
AB 2916 (O'Connell) Intro 2/17/94	Membership	Would have allowed CalSTRS members who become employed with one of six state agencies in a position represented by Bargaining Unit 21 and requiring membership in CalPERS to elect to remain in CalSTRS by making such election in writing within 30 days of entering the new position. The Governor determined this bill would have provided a more costly benefit to a select group of employees and therefore inequitable and that retirement benefits should be discussed and agreed upon through collective bargaining prior to a legislative resolution. <i>Sponsor: California State Employees' Association, Bargaining Unit 21</i>	Governor Veto (9/11/94)
AB 3064 (Morrow) Intro 2/22/94	Tax Sheltered Annuity Program	Requires CalSTRS to offer a TSA program, as specified. <i>Sponsor: Association of California School Administrators, CalSTRS (co-sponsors)</i>	291 (7/20/94)
AB 3171 (Napolitano) Intro 2/23/94	CalSTRS Technical Housekeeping	As an urgency measure, makes various minor, corrective and technical changes to the TRL related primarily to the 1993 recodification. <i>Sponsor: CalSTRS</i>	933 (9/27/94); effective 9/28/94
AB 3407 (PER&SS) Intro 2/24/94	Mid-career Counseling Program	Requires CalSTRS to offer a mid-career retirement planning information program for CalSTRS members. <i>Sponsor: Association of California School Administrators, CalSTRS (co-sponsors)</i>	656 (9/19/94)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 3627 (Campbell) Intro 2/25/94	Membership; insolvent school districts	Provides that trustees or administrators appointed by the Superintendent of Public Instruction to an insolvent school district, as specified, shall be members of CalSTRS for the period of the appointment, unless they elect in writing not to become or remain members. <i>Sponsor: Department Of Education</i>	1002 (9/28/94); retroactive to 7/1/93
AB 3705 (PER&SS) Intro 2/25/94	457 Deferred Compensation Plans	Allows CalSTRS to develop one or more deferred compensation plans pursuant to Section 457 of the IRC. <i>Sponsor: California Teachers' Association, CalSTRS (co-sponsors)</i>	489 (9/10/94)
AB 3832 (PER&SS) Intro 3/16/94	Full-time; definition	Codifies the definition of "full-time" as a distinct code section, separate from the definition of "compensation earnable." <i>Sponsor: CalSTRS</i>	193 (7/9/94)
SB 192 (Dills) Intro 2/4/93	Health benefits local public employees	Would have allowed CalSTRS to offer health benefits to active and retired members. CalSTRS believes that affordable health benefits coverage is an integral part of a secure retirement and is in concert with its primary responsibility to provide retirement program services to its members. The Governor determined that the System would be required to acquire special expertise and resources to administer health benefits; and, since the benefit would be partially funded by school districts, it would reduce resources available for classrooms. <i>Sponsor: California Retired Teachers' Association</i>	Governor Veto (9/30/94)
SB 277 (Hughes) Intro 2/12/93	Teachers' Retirement Board	Would have required that the four CalSTRS members of the Board be elected to the Board from their respective constituencies rather than appointed by the Governor. The Governor determined there was no need to substitute the current appointment process with a cumbersome election process at a cost to the TRF in excess of \$125,000; Proposition 162 established in the state constitution the responsibilities and priorities for the Board who have fulfilled those obligations; and, an elected Board should represent interests of the entire system, not individual constituencies. <i>Sponsor: Association of Retired Teachers</i>	Governor Veto (9/25/94)
SB 586 (Hughes) Intro 3/1/93	75% Purchasing Power Protection	1) Restates the intent of the State to ensure a minimum purchasing power of 75% of the initial retirement allowance and specifies possible revenues; 2) requires CalSTRS to annually report return on investments and actual total salaries; and 3) requires the Controller to adjust the ad hoc minimum guarantee contribution to CalSTRS once actual payroll is determined. <i>Sponsor: California Retired Teachers' Association</i>	858 (9/25/94)
SB 858 (PE&R Committee) Intro 3/4/93	Golden Handshake	Reestablishes the Golden Handshake additional 2 years service credit program operative 3/30/94 through 12/31/98. <i>Sponsor: CalSTRS</i>	20 (3/15/94); effective 3/16/94
SB 1285 (Watson) Intro 1/6/94	Investments; South Africa	As an urgency measure, repeals existing law that prohibits state trust fund investments in South Africa.	30 (3/30/94); effective 3/31/94

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 1459 (Watson) Intro 2/10/94	Investments; International	Authorizes any public retirement system to invest in securities guaranteed by various international financial institutions. <i>Sponsor: Dymally, Ernest & Fair</i>	1084 (9/28/94)
SB 1499 (Hughes) Intro 2/15/94	Service credit for unused sick leave	Would have allowed employers to elect to provide service credit for unused sick leave at retirement to those employees who become CalSTRS members after 7/1/80. <i>Sponsor: California Teachers' Association</i>	Died in Assembly
SB 1972 (Campbell) Intro 2/25/94	Investments; possessory interest tax proration	Makes permanent the provisions which would otherwise sunset 6/30/94, regarding the proration of the possessory interest tax imposed upon the tenants of properties owned by CalSTRS. <i>Sponsor: CalPERS, CalSTRS (co-sponsors)</i>	1281 (9/30/94); effective 9/30/94
OTHER SIGNIFICANT LEGISLATIVE ISSUES (1994)			
California Health Security Act (Proposition 186) – Would have established a "single payer" health care system in which the State of California would administer and finance health care coverage, thereby replacing most private health insurance and current public health care programs. The proposed System would have been similar to those used in some other countries, such as Canada. This Act would have some impact on CalSTRS members depending on their individual circumstances. It would have no impact on CalSTRS as a public pension fund nor on services CalSTRS currently provided to members.			

1993 STATE LEGISLATION (1993-1994 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 40 (Margolin) Intro 12/9/92	Investments; Arab boycott	Expands provisions enacted last year, Chapter 1351/92 (AB-2251, Margolin) regarding the prohibition of state trust funds investing in companies that are complying with the Arab League's economic boycott of Israel. Note: the California Attorney General has concluded that this bill is pre-empted by federal law and therefore not subject to implementation by CalSTRS. <i>Sponsor: Margolin</i>	439 (9/24/93)
AB 216 (Margolin) Intro 1/25/93	Investments; foreign government bonds	Authorizes state or local retirement systems to invest in foreign government bonds or other evidences of indebtedness, a portion of which may be used to purchase rated or unrated bonds guaranteed by Israel, Canada, or Mexico; permissive only. <i>Sponsor: Margolin</i>	440 (9/24/93)
AB 407 (Escutia) Intro 2/10/93	Dual Membership	Would have repealed the TRL provision that excludes a full-time member of another public retirement system from membership in CalSTRS for part-time work under CalSTRS. The Governor determined that this bill would increase the CalSTRS' unfunded liability thereby resulting in increased General Fund costs because of the requirements of the Elder Full Funding Act (costs not funded by the combined employer/employee contributions, approximately 1.2 percent of payroll); result in local mandated program costs; and, inappropriately divert money from the classroom. <i>Sponsor: CalSTRS</i>	Governor Veto (10/4/93)
AB 447 (Seastrand) Intro 2/11/93	Federal compliance; age 70-1/2 minimum distribution	1) Adds the definition of "reinstatement" to the TRL; 2) requires CalSTRS to comply with federal law with regard to minimum distribution at age 70-1/2 and specifies various procedures pertaining to CalSTRS' inactive members; and 3) provides for CalSTRS to prorate supplemental payments to the termination date of the allowance. <i>Sponsor: CalSTRS</i>	861 (10/5/93); Line item veto of \$100,000 appropriation
AB 449 (Horcher) Intro 2/11/93	Rule of 85	Would have established the "Rule of 85" alternative retirement program. The Governor determined that this bill lacked several safeguards as proposed in the Legislative Analyst's Office report. Specifically it did not require an audit over the life of the early retirement program to reflect that cost savings actually occurred; no specified time limit for districts to finance payments for the enhanced benefits; lacked flexibility for districts to determine a minimum retirement age; and there was no directive to keep the deleted classifications empty. <i>Sponsor: California Teachers' Association</i>	Governor Veto (10/9/93)
AB 631 (Cannella) Intro 2/22/93	Modify TRL Definitions	Clarifies the definition of "compensation" and "salary" for purposes of determining benefits and contributions. <i>Sponsor: CalSTRS</i>	468 (9/25/93)
AB 798 (Sher) Intro 2/25/93	Benefit payment arrangements	1) Prohibits CalSTRS/CalPERS from mailing a copy of benefit payment information to any member who has payment directly deposited if the member requests not to have the information sent; and 2) requires the Systems to inform members of their right not to have the information sent to them.	1083 (10/10/93)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 810 (Tucker) Intro 2/25/93	Benefit Study	Would have required CalSTRS to conduct a study of the costs of: 1) a 2% at age 58 to 2.418% at and over age 61; and 2) a 2% at age 59 to 2.418% at and over age 62 formula for state employee CalSTRS members. <i>Sponsor: California State Employees' Association</i>	Dropped by author; agreed to conduct the study
AB 916 (Farr) Intro 3/1/93	Credit enhancement for local government bonds	Would have required CalSTRS/CalPERS, in consultation with the Treasurer, to study the feasibility of establishing under the Systems a credit enhancement program for local government bonds. The Governor determined that the bill was unnecessary since both CalSTRS/CalPERS already have the authority to conduct such a study and to provide credit enhancement programs; particularly with CalSTRS' program for industrial development bonds. This program experience can be used as a general application for other credit enhancement programs. <i>Sponsor: Farr</i>	Governor Veto (10/11/93)
AB 1631 (Karnette) Intro 3/4/93	Survivor Benefits (SB-93)	1) Allows CalSTRS to: 1) revise the current process of verifying the date of birth or death of a benefit recipient; 2) Specifies that a pre-retirement election of an option is automatically canceled if the option beneficiary predeceases the member; and 3) specifies the procedures to be taken when a designated beneficiary cannot be located. <i>Sponsor: CalSTRS</i>	920 (10/7/93)
AB 1796 (Napolitano) Intro 3/5/93	TRL Recodification	Recodifies the TRL; makes structural changes only. <i>Sponsor: CalSTRS</i>	893 (10/7/93)
AB 2278 (Tucker) Intro 3/5/93	CalSTRS Technical Housekeeping	Makes technical, corrective and clarifying changes in various TRL provisions. <i>Sponsor: CalSTRS</i>	1082 (10/10/93)
SB 70 (L. Greene) Intro 1/6/93	Investments; proration of property taxes	Requires for fiscal years 1992-93 and 1993-94 that, if a lessee of a CalSTRS-owned property holds a possessory interest for less than a full fiscal year, the amount of the property tax shall be prorated according to the number of months the lessee holds the interest.	1187 (10/11/93)
SB 77 (Appropriations Committee) Intro 1/7/93	"Float" Suit	As an urgency measure, makes a General Fund appropriation of \$8.9 million to CalSTRS and \$7.5 million to CalPERS. These amounts represent the settlement of a lawsuit CalSTRS/CalPERS filed against the State to recover the System's investment earnings in the State's Pooled Money Investment Account between 1984 and 1988.	699 (10/1/93); effective 10/2/93
SB 107 (Hughes) Intro 1/14/93	Golden Handshake extension	Would have removed the 1/1/94 sunset date of the Golden Handshake provisions, thereby continuing the program on a permanent basis. The Governor determined that this bill lacked several safeguards as proposed in the Legislative Analyst's Office report. Specifically it did not require an audit over the life of the early retirement program to reflect that cost savings actually occurred, limit financing periods to four years and authorize the executive to designate the eligible departments, programs and position classifications; otherwise, he would be willing to sign. <i>Sponsor: California Teachers' Association</i>	Governor Veto (10/9/93)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 195 (Hughes) Intro 2/4/93	TSA Plan	Would have required CalSTRS to offer a TSA Plan to be operated under the direction of CalSTRS' Investment Office or a third party administrator. The Governor recognized that the TRB was evaluating the effectiveness and future of the existing TSA plan; consequently, development of an additional or new plan would be premature prior to the complete evaluation and final disposition of the existing plan. <i>Sponsor: California Teachers' Association</i>	Governor Veto (9/24/93)
SB 414 (Roberti) Intro 2/24/93	One-year Final Compensation repayment (LAUSD)	Would have provided for employers to pay for the one-year final compensation benefit as required by the Board. The Governor determined that this bill would encourage school districts to borrow money to pay for increased retirement benefits without securing additional funding to cover the debt; the sponsor did not demonstrate any savings by school districts that have already extended this benefit, or that any savings would accrue from the financing option contained in the bill; and, the bill has the potential to divert money from the classroom. <i>Sponsor: United Teachers of Los Angeles</i>	Governor Veto (9/21/93)
SB 698 (Torres) Intro 3/3/93	Salary preservation using 3 non-consecutive years for final compensation	1) Allows a member's retirement allowance calculation to be based on the member's highest earnable compensation during any three non-consecutive years of CalSTRS membership if the member's salary was reduced because of budget reductions; and 2) authorizes employers to elect to preserve members' retirement benefits when salary reductions due to budget cuts have occurred. <i>Sponsor: California Federation of Teachers, CalSTRS (co-sponsors)</i>	860 (10/5/93); Line item veto of \$300,000 appropriation
SB 754 (Hughes) Intro 3/3/93	Change of Options	Allows a CalSTRS retired member who retired under Option 2 or Option 3 before 1/1/91, to change Option 2 or 3 to Option 6 or 7, under specified conditions. <i>Sponsor: California Retired Teachers' Association</i>	911 (10/7/93)
SB 857 (PE&R Committee) Intro 3/4/93	"Betts" cleanup; long-term health care	1) Authorizes districts to grant a leave of absence to a certificated employee who has applied for either a disability retirement benefit or a disability allowance; 2) makes various technical and conforming changes related to implementation of the new Disability Retirement and Survivor Benefits programs; and 3) makes the CalPERS Long-Term Care Act provisions applicable to CalSTRS members. <i>Sponsor: CalSTRS</i>	1144 (10/10/93)
OTHER SIGNIFICANT LEGISLATIVE ISSUES (1993)			
Voucher/Parental Choice In Education (Proposition 174) - Would have allowed parents to exercise choice in the schools which their children attend by providing state educational "scholarships", or vouchers, for California students that would be redeemable by their parents at either private or public schools that have converted to independent scholarship-redeeming schools. The amount of the scholarship would be equal to at least 50 percent of the prior year's public per-pupil spending; an estimated \$2,600 per student. Note: any significant migration of teachers from the public schools as a result of the Initiative would have a negative impact on the funding period at CalSTRS.			

1992 STATE LEGISLATION (1991-1992 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 75 (Elder) Intro 12/4/90	Employer notification	Would have: 1) required employers to provide membership information to all full-time, part-time and substitute employees; 2) deleted reference to a repealed section in the TRL; and 3) included other provisions (not affecting CalSTRS) that would have authorized contracting agencies under CalPERS to offer their employees up to an additional 4 years of service credit. The Governor was concerned that this bill would require him to issue a "statewide executive order" to trigger the effectiveness. Conditioning a local agency's legislative action on the Governor's issuance of an executive order is a cumbersome and inappropriate exercise of the Governor's executive powers.	Governor Veto (9/30/92)
AB 486 (Polanco, et al) Intro 2/12/91	Public contracts; certification requirements	Creates a standardized certification program and permits all state and local agencies to use the criteria under this program to certify minority, women and disadvantaged business enterprises for contracts that are federally, state or locally funded.	1329 (9/30/92)
AB 1074 (Epple) Intro 3/5/91	Extend Service Retirement formula	Would have increased the benefit factor from 2.1% at age 61, 2.25% at age 63 and 2.5% at age 65 for CalSTRS members retiring after 6/30/93 with 20 or more years of service credit and whose employer has opted for this benefit. The Governor was not in favor of enhancing a retirement benefit with resources that could otherwise be provided for the classroom. <i>Sponsor: California Teachers' Association</i>	Governor Veto (7/20/92)
AB 1399 (Eaves) Intro 3/7/91	Defined Contribution Study	Would have required the Board to conduct a study of defined contribution benefits and establish a defined contribution "account" that complies with IRC section 415 requirements. <i>Sponsor: Association Of California Life Insurance</i>	Died in Senate (8/19/92)
AB-1522 (Campbell, et al) Intro 3/7/91	Additional service credit	As an urgency measure, authorizes the Trustees of the California State University to grant four years of additional service credit to eligible employees who retire during the 1992-93 fiscal year. Note: CalSTRS' records indicate that fewer than five members will be affected by this legislation. <i>Sponsor: California State University</i>	450 (8/6/92); effective 8/7/92
AB 1719 (Horcher) Intro 3/8/91	Community property non- probate transfers	Amends various provisions of the Probate Code relating to the non-probate transfer of community property, including transfers of property under the terms of a pension plan. <i>Sponsor: California Law Revision Commission</i>	51 (5/8/92)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 2251 (Margolin, et al) Intro 3/15/91	Investments; Arab boycott	Prohibits state trust funds from making new or additional investments in business forms or financial institutions that engage in discriminatory business practices that are "in furtherance of or in compliance with the Arab League's economic boycott of Israel." Under the "secondary boycott," which this bill targets, companies doing business in Arab nations must agree not to do business in Israel. Note: CalSTRS is required to begin divestiture of prohibited investments on 1/1/95 and reduce such investments by one-third annually until 1/1/98 when divestiture is complete.	1351(9/30/92)
AB 2282 (Elder) Intro 1/6/92	Member Home Loans	Would have required the Board to study the advantages and disadvantages of offering low interest rate home loans to CalSTRS members. The Governor didn't see any merit to using TRF monies to finance reduced mortgage home loans, which has previously been found to be a violation of both the California Constitution and other statutes to which the Board is subject to.	Governor Veto (8/12/92)
AB 2317 (Moore) Intro 1/13/92	Investments; public retirement systems; investments advisors	Would have authorized CalSTRS/CalPERS to consider joint venture, subcontracting and investment-related relationships with women, minority and disabled veteran business enterprises for purposes of meeting the statewide participation goals. The Governor stated that investment agreements are not service contracts under the Public Contract Code and should not be reported as if they were.	Governor Veto (7/27/92)
AB 2335 (Moore) Intro 1/15/92	Contract award requirements	Would have required state agencies to award a contract to the lowest responsible bidder fully meeting the minority and women business enterprises contract participation goals or having the highest aggregate percentage of those goals.	Died in Senate
AB 2391 (Moore) Intro 1/27/92	Investments; South Africa relief	As an urgency measure, excludes firms engaged in famine relief activities in Southern Africa from the South Africa divestiture provisions Chapter 1254/86 (AB-134—Waters.)	1238 (9/29/92); effective 9/30/92
AB 2513 (Andal) Intro 2/6/92	Definition revision	Would have revised the definitions of "compensation" and "salary" for use in the calculation of a CalSTRS retirement benefit.	Died in house of origin
AB 2538 (Moore) Intro 2/6/92	Family Care Leave	Allows members to purchase service credit for time spent on an approved family care leave of up to four months. Note: This bill enabled CalSTRS to implement the provisions of Chapter 462/1991 (AB 77 - Moore), which required employers of 50 or more employees, including school district, to grant specified family care leave.	1272 (9/30/92)
AB 2585 (Eastin, et al) Intro 2/10/93	Charter Schools	Would have provided the general requirements for the establishment of charter public schools. The Governor determined that this bill fails to embrace the basic ingredients of the charter school concept (e.g., freedom from the state regulation and employee organizational control and choice on the part of parents, pupils, teachers and administrations).	Governor Veto (9/20/92)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 2721 (Elder, et al) Intro 2/13/92	Federal Compliance (Rollovers)	Authorizes public pension plans including CalSTRS to make rollovers directly to another eligible retirement plan. A new federal law requires retirement plans to withhold 20 percent on the taxable portion of an eligible distribution that is not rolled over directly to a qualified plan. Allows a member to request that a lump-sum distribution be made directly to another eligible plan and thus avoid the 20 percent withholding tax now required when the distribution is made directly to the member.	1047 (9/27/92)
SB 766 Intro 3/6/91	System funding	As an urgency measure, clarifies the methodology for calculating the Elder Full Funding contributions due CalSTRS on prior calendar year payroll.	703 (9/14/92); effective 9/15/92
SB 1448 (Hart, et al) Intro 2/10/92	Charter Schools	Authorizes the establishment of not more than 100 charter schools in the state, each of which will be treated as a school district for school funding guarantee purposes. These schools will be exempt from laws governing regular school districts except for those that choose to participate in CalSTRS. When a charter school chooses to participate in CalSTRS, all employees of that charter school who qualify for CalSTRS membership will be covered under CalSTRS. All provisions of the TRL will apply in these participating charter schools as if they were a public school in the school district that granted the charter.	781 (9/20/92)
SB 1687 (L. Greene) Intro 2/20/92	Investments; In-lieu Fees	Excludes CalSTRS' real estate investments from in-lieu fees and requires instead that lessees of CalSTRS owned property pay regular property taxes based on their possessory interest.	1158 (9/29/92)
SB 1765 (Hart) Intro 2/20/92	CalSTRS/CalPERS Service Credit; Legislators	Would have allowed CalSTRS/CalPERS members to purchase service credit for time spent in the California Legislature during a service break. The Governor determined this bill contradicts the provisions of Proposition 140 (1990), which prohibits the accrual of pension benefits as a result of service in the Legislature. On or after November 1990, no Legislative Retirement System exists other than Social Security.	Governor Veto (9/30/92)
SB 1884 (C. Green) Intro 2/21/92	Multiple Retirements; "Betts"	As an urgency measure, provides the methods to be used in the calculation of a retirement allowance for members who previously received either a disability or service retirement benefit.	1165 (9/29/92); effective 9/30/92
SB 1885 (C. Green) Intro 2/21/92	Federal compliance; new survivor benefits & disability retirement programs; "Betts"	As an urgency measure, establishes new survivor benefits and disability programs for all new members entering CalSTRS on or after 10/16/92. Also authorizes persons who were CalSTRS members on 10/15/92, to elect to participate in the new programs. These changes bring CalSTRS into compliance with the federal Older Workers' Benefit Protection Act passed by Congress on 10/16/90. Coverage A: \$5,000 lump sum death payment. Coverage B: \$20,000 lump sum death payment.	1166 (9/29/92); effective 10/16/92

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 1886 (C. Green) Intro 2/21/92	CalSTRS Disability; "Betts"	Makes various changes to CalSTRS' disability program, particularly: 1) makes technical revision to the standard for determining disability; 2) defines "comparable level position" as any job in which the disabled member can earn 66-2/3 percent or more of indexed final compensation; and 3) allows members to apply for disability while still working.	1167 (9/29/92)
SB 1887 (C. Green); Extraordinary Session Intro 2/21/92	State employees; personal leave program service credit; final compensation	As an urgency measure: 1) Allows state employee CalSTRS members subject to the personal leave program (administered by the DPA) to be credited with the service they would have received prior to being placed under this program; and 2) provides that, for non-represented state employee members who retire or die on or after 7/1/91 and whose salaries were reduced during the 1991-92 fiscal year, "final compensation" means the highest annual salary as if no reduction had occurred. The employer is required to pay for any costs that result from the increased service credit and use of the higher final compensation.	1372 (10/26/92), effective 10/27/92
SB 1902 (Johnston, et al) Intro 2/21/92	Health Benefits Study	Would have required the Board to conduct a statewide health benefits study of certificated school employees using a \$240,000 TRF appropriation for this purpose. The Governor determined this bill served as a catalyst for seeking a statewide health benefit package for school employees, rather than sought at the local level through collective bargaining.	Governor Veto (9/30/92)
SB 1957 (Thompson) Intro 2/21/92	Investments; repeal sunset - real estate priorities	As an urgency measure, deletes the 1/1/93 repeal date of provisions requiring CalSTRS to give first priority to investing at least 25 percent of newly available funds in California residential realty.	540 (8/21/92); effective 8/22/92
SB 2018 (Calderon) Intro 2/21/92	Division of Community Property	As an urgency measure, modifies provisions relating to community property rights in retirement plans including prohibiting a nonmember spouse from receiving a retirement allowance until the actual retirement date of the member. CalSTRS/CalPERS are excluded from the latter provision.	431 (9/1/92); effective 9/2/92
OTHER SIGNIFICANT LEGISLATIVE ISSUES (1992)			
California Pension Protection Act (Proposition 162) – Effective upon certification of the Secretary of State, this act grants the Board plenary authority over investment decisions and administration of the System in a manner that will assure prompt delivery of benefits and related services to members and their beneficiaries.			effective 12/14/92

1991 STATE LEGISLATION (1991-1992 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 77 (Moore, et al) Intro 12/4/90	Fair Employment & Housing; Family Care Leave	Requires that employers of 50 or more employees, including school districts, grant unpaid leave for up to four months in any 24-month period for family care purposes, as defined. Note: CalSTRS had previously taken a "support, if amended" position; however, suggested amendments were never adopted into the bill. <i>Sponsor: California Labor Federation</i>	462 (9/30/91)
AB 191 (Elder) Intro 1/4/91	Employer contribution deferral	Would have allowed the LAUSD and the SFUSD not to make their employer contributions to CalSTRS from January 1992 through June 1992. The contributions that would have been made during that six-month period would instead have been paid in monthly payments over a period of up to 20 years commencing 7/1/93. The Governor determined there was already an orderly process by which districts experiencing financial difficulty could request an "emergency apportionment;" the provisions were perceived to be a loan to these particular school districts, thereby circumventing the existing process; there were no safeguards to ensure that the districts in need would repay their debt, particularly where evidence may portray that their operations were not managed efficiently.	Governor Veto (7/18/91)
AB 276 (Filante, et al) Intro 1/22/91	Rule of 85	Would have allowed a member of CalSTRS aged 50 or older to retire with full retirement benefits, if the member's age plus years of credited service totaled 85. The Governor determined that CalSTRS already offered several options for early retirement, but with a reduced retirement allowance, as well as other early retirement options including incentives individually being offered by employers; would cost employers \$50,000-\$100,000 per retired member, which would result in a diversion of funds from the classroom; there were no requirements over the life of the early retirement program to reflect any cost savings to the program. <i>Sponsor: California Teachers' Association, Association of California School Administrators (co-sponsors)</i>	Governor Veto (10/6/91)
AB 692 (Hayden) Intro 2/25/91	Investments; State Trust Funds	Would have authorized CalSTRS/CalPERS to require companies in which they make investments to disclose the extent to which the companies adhere to the so-called Valdez Principles regarding "corporate environmental" responsibility. The Governor determined the bill as being permissive, unnecessary and an expression of Legislative intent and CalSTRS/CalPERS already have guidelines for companies in which the systems invest to conduct themselves with propriety and a view toward social considerations.	Governor Veto (10/14/91)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 702 (Frizzelle) Intro 2/25/91	Funding	As an urgency measure, provides that Elder Full Funding contributions be made in quarterly payments of 1.075 percent from the General Fund to the TRF instead of monthly contributions, commencing 10/1/91.	83 (6/30/91); effective 7/1/91
AB 1189 (Peace) Intro 3/6/91	Investments; corporations; electronic proxies	Permits oral telephonic submission of a proxy by a shareholder or someone with authority to act for a shareholder. Note: This bill does not require any action on the part of CalSTRS.	308 (8/2/91)
AB 1330 (Burton, et al) Intro 3/7/91	Investments; Northern Ireland	Would have required CalSTRS/CalPERS to: 1) compile a list of corporations that do business in Northern Ireland (NI), in which the assets of the two funds are invested and report this information to the Legislature; 2) annually monitor the extent to which U.S. Corporations operating in NI, in which the funds have investments, adhere to nondiscrimination principles, as defined by the MacBride Principles; and 3) support, whenever feasible, shareholder resolutions designed to encourage corporations in which the funds have invested to pursue a policy of affirmative action in NI. The Governor determined the bill was redundant with existing practices and that it was opposed by political and labor union leaders who represent NI Catholic constituencies who viewed the bill as threatening to the economy of NI as well as the job opportunities for Catholic workers who are far better protected by the mandatory provisions of the Fair Employment Act of 1989 than the MacBride principles.	Governor Veto (10/11/91)
AB 2224 (Cannella) Intro 3/12/91	Full-time equivalent in Community Colleges	Would have established new standards for the crediting of service performed by community college members of CalSTRS employed on a part-time basis. The Governor determined the bill would result in increased costs to CalSTRS for those part-time instructors who become full-time instructors (estimated to range from \$10,000 to \$30,000) and would continue to increase for a number of years. <i>Sponsor: California Federation of Teachers, Faculty and Administration of California Community Colleges</i>	Governor Veto (10/14/91)
SB 196 (C. Green) Intro 1/17/91	Scientific Surveys	Would have required CalSTRS to establish procedures for evaluating and implementing requests of organizations with CalSTRS members to conduct scientific surveys of the CalSTRS membership. The Governor determined this bill would redirect CalSTRS' efforts toward an objective of satisfying the requests of outside organizations rather than to focus on its mission to satisfy the membership and was concerned with costs and resources needed to take on the additional workload. <i>Sponsor: California Teachers' Association</i>	Governor Veto (10/2/91)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 1171 (PE&R) Intro 3/8/91	CalSTRS Technical Housekeeping	1) Clarifies provisions concerning the limitations imposed by Section 415 of the IRC on the benefits received by CalSTRS members; 2) authorizes CalSTRS to establish procedures to ensure compliance with information reporting requirements and provides that any person who willfully files any report in violation of the statutory requirements is guilty of a misdemeanor; 3) makes a technical, corrective change in the one-year final compensation provisions for classroom teachers; 4) clarifies that CalSTRS disabled members and inactive members are eligible to participate in the Dave Elder CalSTRS Home Loan Program; 5) requires spousal signature for most benefit applications; 6) requires employers to annually provide CalSTRS with copies of documents concerning employee compensation; and 7) allows CalSTRS members who served on active duty in the Persian Gulf conflict to receive CalSTRS service credit for the time spent on the military leave. <i>Sponsor: CalSTRS</i>	543 (10/5/91)
SB 1173 (PE&R) Intro 3/8/91	State employees; members of CalSTRS; optional transfer to CalPERS	As an urgency measure, would have authorized members of CalSTRS who are employed in state service positions to elect, before 4/1/92, to transfer their membership to CalPERS.	Died in Senate
SR 9 (McCorquodale) Intro 1/18/91	Investments; Shareholder Rights/Securities Transaction Commission	Extends until 1/1/93 the Senate Commission on Corporate Governance Shareholder Rights and Securities Transaction.	Adopted 5/30/91

1990 STATE LEGISLATION (1989-1990 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 54 (Elder) Intro 12/6/88	Optional one-year final compensation; multiple retirements	As an urgency measure: 1) Makes technical clean-up amendments to Chapter 1184/89 (AB-123, Elder) regarding optional one-year final compensation for CalSTRS members who spent 60 percent or more of the last ten years of their career as classroom teachers; and 2) provides a more equitable method to calculate the final retirement benefit of CalSTRS members who reinstate from retirement to CalSTRS membership and subsequently retire. <i>Sponsor: United Teachers of Los Angeles, California Teachers' Association</i>	83 (5/2/90); effective 5/3/90
AB 1972 (Tucker) Intro 3/9/89	CalSTRS/CalPERS Home Loan Program	Designates the provisions of the TRL authorizing the CalSTRS member home loan program as the Dave Elder CalSTRS Member Home Loan Program Act. Note: No program or fiscal changes to existing program.	11 (3/7/90)
AB 2552 (Quackenbush) Intro 1/4/90	TSA Program	Makes various changes to the current CalSTRS TSA program by authorizing CalSTRS to operate the plan through one or more third-party carriers with choices of investment options and to offer the program to all employees of any state or local public agency, which employs persons in positions eligible for CalSTRS membership.	831 (9/12/90)
AB 2609 (Hughes, et al) Intro 1/16/90	Golden Handshake	As an urgency measure, reestablishes until 12/31/93 the CalSTRS "Golden Handshake" program, which permits school employers to provide CalSTRS members with two additional years of service credit at retirement if certain conditions are met. <i>Sponsor: California Teachers' Association</i>	996 (9/17/90); effective 9/18/90
AB 3042 (Elder) Intro 2/21/90	Member applications; spouse signature requirements	Requires that a CalSTRS member's application for an unmodified retirement allowance contain the signature of the member's spouse unless certain conditions are met. Permits a spouse who refuses to sign this type of application to be treated as a "nonmember spouse," therefore, petition the court to divide the retirement benefit as community property.	1390 (9/26/90)
AB 4048 (Elder, et al) Intro 3/2/90	Post-Retirement Earnings Limit	Increases the CalSTRS post retirement earnings limit to \$15,000, up from the previous \$8,950, per school year. This amount would be adjusted annually by the amount of increase in the CCPI. <i>Sponsor: Long Beach Unified School District</i>	903 (9/13/90)
AB 4129 (Hughes) Intro 3/2/90	CalSTRS Technical Housekeeping	Makes technical, corrective and clarifying changes in various provisions of the TRL. <i>Sponsor: CalSTRS</i>	560 (8/24/90)
AB 4284 (Elder, et al) Intro 3/2/90	Retirement after reinstatement from disability	As an urgency measure, provides for separate alternative calculations of post disability service retirement allowances depending upon whether the post disability service was for less than, or more than, three years.	1201 (9/21/90); effective 9/22/90

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 53X (Elder) Intro 11/3/89	CalSTRS/CalPERS loan; natural disaster	Authorizes CalSTRS to establish a loan program to assist currently employed members and retirees in obtaining loans from CalSTRS for the sole purpose of repairing or rebuilding homes damaged by a natural disaster. Sponsored by Santa Cruz County	35X (9/22/90)
AJR 38 (Elder) Intro 3/10/89	School Lands; Elk Hills	Memorializes the President and Congress to recognize the right of the state to two school land sections within the Elk Hills Petroleum Reserve and to make them available to the state. Revenue from school land sections is used for supplemental payments to benefit recipients whose purchasing power has fallen below 75 percent of original purchasing power. <i>Sponsor: California Retired Teachers' Association</i>	50 (6/18/90)
AJR 71 (Bentley, et al) Intro 2/15/90	Health benefits; retired teachers	Memorializes Congress to establish a process by which CalSTRS retirees could purchase the quarters needed to meet Medicare Part A eligibility. <i>Sponsor: California Retired Teachers' Association</i>	100 (8/30/90)
SB 682 (C. Green) Intro 2/27/89	Options settlements	Adds two new additional option settlements, Options 6 and 7, allowing a return to the unmodified allowance if the designated option beneficiary predeceases the retiree. <i>Sponsor: California Retired Teachers' Association</i>	97 (5/17/90)
SB 1131 (McCorquodale) Intro 3/8/89	Investments; soft dollars	Places new disclosure requirements on governmental investors with regard to soft dollars and directed brokerage arrangements.	709 (9/10/90)
SB 1370 (C. Green, et al) Intro 3/9/89	Elder Full Funding Act	As an urgency measure, revises the annual General Fund contribution to CalSTRS to a level that provides full funding of normal cost and provides for the amortization of the CalSTRS unfunded obligation. <i>Sponsor: California Retired Teachers' Association</i>	460 (7/31/90); effective 8/1/90
SB 2469 (C. Green) Intro 2/28/90	Benefits Study	Appropriates \$50,000 to pay the costs of contracting for consulting services to study the equity of the present benefits available under CalSTRS.	1172 (9/21/90)
SB 2473 (C. Green) Intro 2/28/90	General Fund Contributions	Repeals the provision requiring the State General Fund to contribute .25 percent of CalSTRS' member salaries for the conversion of unused sick leave to CalSTRS credit and makes the contribution the responsibility of the employer.	
SCR 84 (Hart) Intro 2/26/90	Investments; Valdez Principles	Requests CalSTRS/CalPERS to take shareholder action respecting the Valdez Principles, a code of conduct for corporate activities affecting the environment.	R-131 (9/10/90)
SJR 70 (McCorquodale) Intro 5/31/90	Investments; Corporations Governance	Requests the SEC to evaluate the corporate election process for the purpose of changing its rules to provide for 1) proxy rules to allow for open and clear communication among shareholders and corporations and 2) confidential voting with independent tabulation of results; and 2) provides for the State Senate Commission on Corporate Governance, Shareholder Rights and Securities Transactions to actively participate with the SEC in accomplishing these goals.	R-113 (9/4/90)

1989 STATE LEGISLATION (1989-1990 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 50 (Elder) Intro 12/6/88)	Section 415 Limits; Annual Report Requirements	1) Amends CalSTRS law to comply with IRC section 415 benefit limitations. Passage of this bill prevents the System from losing its "tax qualified plan" status and avoids adverse tax consequences for CalSTRS and CalSTRS members; and 2) requires book value return as a performance measure to be included in the Annual Report.	1004 (9/29/89)
AB 59 (Elder) Intro 12/6/88	Clarifies fiduciary liability	Restructures and revises the CalSTRS fiduciary liability provisions to clarify the scope of personal liability of the Board and certain CalSTRS employees.	542 (9/20/89)
AB 122 (Filante) Intro 12/12/88	Rule of 85	Would have added an additional, optional, Rule of 85 early retirement incentive provision to the CalSTRS to permit service retirement at or over age 50 without any actuarial reduction in the normal retirement age factor (age 60) if the total of the member's age and credited service is at least 85. The employer would have been required to pay the actuarial present value cost of the increased allowance plus related CalSTRS administrative costs. The Governor vetoed this bill because CalSTRS members already have the option to retire before age 60, but with a reduced retirement allowance; school districts, when feasible, may offer Golden Handshake programs; the program is very costly and would divert funds from the classroom; concerns with the impact of Purchasing Power Protection earlier than normal retirement; and future impact on Section 415 limits and potential for CalSTRS to lose its federal tax exempt status. <i>Sponsor: Marin County Superintendents</i>	Governor Veto (9/25/89)
AB 123 (Elder) Intro 12/12/88	Retirement calculation factors	Provides, subject to a collective bargaining agreement entered into by the member's employing school district and payment to CalSTRS for additional benefits paid, that the "final compensation" period for "classroom teachers," as defined, who retire after 6/30/90 shall be the highest 12 consecutive months. Final compensation is one of the three factors used to determine CalSTRS retirement benefits. (The two other factors are length of service and age at the time of retirement.) <i>Sponsor: Untied Teachers of Los Angeles</i>	1184 (10/1/89)
AB 265 (Elder) Intro 1/12/89	Medicare election	Authorizes employers to apply to PERS during the period of 7/1/90 to 7/1/93 to conduct elections to permit employees who held positions covered by this System on 3/31/86 to elect to be covered by the federal Medicare program. Both the employer and employee would have to pay the required rates for the coverage. Note: CalSTRS has no role in any such election, nor would it affect any CalSTRS benefits. <i>Sponsored by California Teachers' Association</i>	1006 (9/29/89)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 1105 (Hughes) Intro 3/1/89	Disability Leave	As an urgency measure, would have required the governing board of a school district to grant a leave of absence to any certificated employee who applied to CalSTRS for a disability allowance and, if the employee is determined by the System to be eligible for the disability allowance, requires the employee's leave of absence to be extended for the term of the disability, but not more than 39 months. The Governor determined this bill to be similar to another bill he vetoed in 1987 (AB 420 - Hughes). Granting a disability leave of absence is discretionary and should be bargained at the local level, not mandated in state law. <i>Sponsor: Untied Teachers of Los Angeles</i>	Governor Veto (9/16/89)
AB 1284 (Quackenbush) Intro 3/3/89	CalSTRS/CalPERS; Chief Investment Officer issues	Authorizes the Board and the CalPERS Board to meet in closed session to consider matters pertaining to the recruitment or removal of the Chief Investment Officer of each System and adds authorization for the CalPERS Board to meet in closed session to consider personnel matters pertaining to the Chief Executive Officer.	177 (7/19/89)
AB 1769 (Roos) Intro 3/9/89	Investments; deteriorated housing	Would have required CalSTRS/CalPERS to study the feasibility, consistent with their fiduciary duties, of investing in community projects for housing in deteriorated neighborhoods and to report their findings and recommendations to the Legislature by 1/1/91. The Governor determined that these retirement systems were to act as trustees to invest the funds of their members safely and prudently and should not be mandated to study placing funds in speculations where earnings, if any, are questionable.	Governor Veto (9/26/89)
AB 1929 (Epple) Intro 3/9/89	Investments; shareholder voting rights	Allows companies that incorporate in California to divide their board of directors into two or three classes to serve terms of two or three years. It also allows them to either eliminate cumulative voting or to restrict cumulative voting to each class. This could have an impact upon the way CalSTRS exercises its rights as a shareholder during proxy voting.	876 (9/26/89)
AB 2443 (Burton, et al) Intro 3/10/89	Investments; Northern Ireland	Would have required the governing body of each state retirement system to: 1) annually investigate the extent to which U.S. corporations operating in Northern Ireland (NI), in which the assets of the retirement system are invested, adhere to the principles of nondiscrimination in employment and freedom of workplace opportunity; and 2) whenever feasible, to sponsor, co-sponsor, or support shareholder resolutions designed to encourage corporations in which the governing body has invested to pursue a policy of affirmative action in NI. Although sensitive to the sincere desire of many Californians to ease the hardships faced by the Catholic minority in NI, the Governor supported all who believed (CalSTRS/CalPERS, British Government and Catholic Social Democratic and Labor Party of NI) the enactment would create a roadblock against the free flow of investment to NI. <i>Sponsor: American Irish Political Education Committee</i>	Governor Veto (9/26/89)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 683 (C. Green) Intro 2/27/89	Workload balancing programs; spousal signature requirements	Authorizes governing boards of Community College districts to adopt workload balancing programs, subject to the TRL, for certificated employees; requires a spousal signature to withdraw CalSTRS annuity deposits. <i>Sponsor: Faculty and Administration of California Community Colleges</i>	270 (8/3/89)
SB 684 (C. Green) Intro 2/27/89	Scientific surveys of CalSTRS membership	Requires CalSTRS to establish procedures for evaluating and implementing requests of organizations and agencies to conduct scientific surveys of the membership. The Governor had concerns with any bill that would authorize scientific surveys not relative to retirement issues and perceived this to be inconsistent with CalSTRS' primary mission. Also, there was no way to predict the workload for allocation of resources through the budget process. <i>Sponsor: California Teachers' Association</i>	Governor Veto (9/19/89)
SB 686 (C. Green) Intro 2/27/89	Emergency Payment of Benefits	1) Adds option beneficiaries to the benefit recipients who would receive interest due to the late payment of monthly allowances; and 2) authorizes CalSTRS to make payments of 75 percent of the return of accumulated retirement contributions, on an emergency basis, to persons who have terminated CalSTRS membership.	327 (9/8/89)
SB 751 (Royce) Intro 3/1/89	CalSTRS Technical Housekeeping	Makes technical, corrective and clarifying changes in various provisions of the TRL. <i>Sponsor: CalSTRS</i>	118 (7/11/89)
SB 915 (McCorquodale) Intro 3/6/89	Investments; corporate governance center)	Would have established the California Center for Corporate Research to facilitate the study and understanding of issues concerning corporate governance and shareholder rights. Governor determined the bill was unnecessary since there are already 3 centers for corporate governance in the U.S. studying these issues; there is nothing precluding the University of California, or any other university, from establishing its own private center; and, it was unclear whether this center was private sector or a governmental entity subject to civil service rules, conflict of interest rules, budgetary oversight or other similar restrictions.	Governor Veto (9/29/89)
SB 1039 (C. Green) Intro 3/7/89	Modify Post-retirement Earnings Limit	Changes the indexing of the CalSTRS post-retirement earnings limit from 50 percent to 100 percent of the change in the CCPI. <i>Sponsor: California Federation of Teachers</i>	227 (7/27/89)
SB 1093 (Presley) Intro 3/8/89	CalSTRS/CalPERS; affordable housing	As an urgency measure, requires CalPERS/CalSTRS to join with the Department of Housing and Community Development, Treasurer's Office and the California Housing Authority to determine what can be done to produce affordable housing in rural communities with prisons. CalPERS/CalSTRS would be required to jointly participate in preparing a report with recommendations to the Governor and Legislature by 1/15/90.	1338 (10/2/89); effective 10/2/89
SB 1407 (C. Green, et al) Intro 3/9/89	SBMA; purchasing power; annual transfer from General Fund	Establishes funding mechanism, the Supplemental Benefit Maintenance Account, requiring an annual transfer from the General Fund to restore purchasing power of CalSTRS benefits. Amount transferred to increase annually to a maximum of 2.5 percent of the statewide teacher payroll. This bill was double-joined with SB 1513.	115 (7/10/89)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 1513 (W. Campbell, et al) Intro 3/10/89	SBMA; purchasing power adjustments	Requires annual distribution of the proceeds of the SBMA, in non-vested quarterly payments, to members and their beneficiaries to restore benefit purchasing power to up to 68.2 percent of its original purchasing power. This bill was double-jointed with SB 1407. <i>Sponsor: California Retired Teachers' Association</i>	116 (7/10/89)
SB 1605 (Stirling) Intro 3/10/89	Retirement homes	Would have authorized: 1) various state retirement systems including CalSTRS to establish, operate, or enter into joint ventures or contracts for services for retirement homes for their respective retired members; 2) retired members entering those homes to elect direct payment of all or part of their retirement allowances to the homes, as specified; and 3) CalSTRS/CalPERS to buy, build, finance, or enter into joint ventures to provide low and moderate income housing for their active and retired members. The Governor determined that various public retirement systems were not prepared in terms of experience or personnel to enter into this unfamiliar area; CalSTRS should concentrate on its primary mission to provide retirement benefits to its members and manage its investment programs in a prudent and successful manner; and, the investments could result in CalSTRS being subjected to unrelated business income taxes.	Governor Veto (9/26/89)

1988 STATE LEGISLATION (1987-1988 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 59 (Elder) Intro 12/3/86	Disbursement of revenue; Elk Hills	Requires any revenues related to the State's claim to school lands within the Elk Hills Naval Petroleum Reserve to be deposited into the School Land Bank Fund. Interest earnings will go to the TRF for distribution on a pro-rata basis to CalSTRS benefit recipients whose payments are below 75 percent of purchasing power. <i>Sponsor: California Retired Teachers' Association</i>	985 (9/19/88)
AB 147 (Elder) Intro 12/19/86	Supplemental Social Security Plan; alternative retirement plan	Requires CalSTRS to develop an alternative retirement plan recommendation to provide members an adequate retirement benefit for use if benefits are coupled with Social Security and to submit the recommendation to the Legislature by March 1, 1989.	743 (9/7/88)
AB 1982 (O'Connell) Intro 3/6/87	Credit for out-of-state service	Would have authorized a member who retires after 1/1/89 to elect to receive additional service credit for out-of-state service, as specified, if the member pays all contributions at the rate for additional service credit at the time of election and precludes such purchased service from being eligible for specified postretirement quarterly supplemental payments. The Governor vetoed a similar bill in 1986 viewing these provisions as a liberal expansion of retirement benefits not available to members who have served their full careers in California and that the purchase price would not cover actual costs of the extra retirement allowance resulting in an increase of CalSTRS' unfunded liability, which would be counterproductive to maintaining the retirement plan in a financially sound condition. <i>Sponsor: California Federation of Teachers</i>	Governor Veto (9/29/88)
AB 2874 (Elder) Intro	Investments; reporting requirements	Requires the Board to submit to the Legislature, by November 1 of each year, a report of the un-audited investment data compiled for the preparation of the annual report required in Education Code Section 22308.	902 (9/13/88), effective 1/1/89
AB 2882 (Elder) Intro 1/28/88	One-year final compensation for classroom teachers	Would have provided that "final compensation" shall mean the highest annual compensation earnable by the member who is a classroom teacher, as defined, during any period of 12 consecutive months during his or her membership in CalSTRS. The Governor was concerned with increasing retirement allowances for certain CalSTRS members without providing a funding source to support the increase (\$142.5 million the first year), therefore increasing CalSTRS' unfunded liability by \$250 million per year; putting pressure on CalPERS to offer comparable benefits; and, creating a distinction in benefits between classroom teachers and other CalSTRS members. <i>Sponsor: California Teachers' Association, United Teachers of Los Angeles</i>	Governor Veto (9/30/88)
AB 2885 (Elder) Intro 1/28/88	Service credit for leave of absence	Increases the maximum amount of retirement service credit earnable by an active CalSTRS member on an approved leave to serve as an elected member of an employee organization, from a maximum of 8 years to a maximum of 12 years. <i>Sponsor: United Teachers of Los Angeles</i>	688 (8/28/88)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 2890 (Elder) Intro 1/28/88	Modify Member Home Loan Program	Authorizes the Board to add owner-occupied 2-4 family dwellings to the CalSTRS Member Home Loan Program.	408 (8/12/88)
AB 3172 (Elder) Intro 2/10/88	Remittance notification	Requires CalSTRS to send a copy of the benefit payment information to the home address of persons whose payments are transmitted directly to their financial institution for deposit beginning 7/1/89. <i>Sponsor: California Retired Teachers' Association</i>	792 (9/9/88)
AB 3194 (Elder) Intro 2/10/88	Teachers' Retirement Board	Would have required that the 3 CalSTRS members and the retired member of the TRB shall be elected to the Board from their respective constituencies. There is no supporting evidence that CalSTRS would be better serviced by elected Board members in lieu of appointed members and there are substantial administrative costs and workload associated with the election process. <i>Sponsor: Association of Retired Teachers</i>	Governor Veto (8/19/88)
AB 3195 (Elder) Intro 2/10/88	Military service credit	Authorizes state employee members and certain retirees of CalSTRS to elect to purchase up to four years of military service credit. <i>Sponsor: California State Employees' Association</i>	370 (7/14/88)
AB 3271 (Filante) Intro 2/11/88	Rule of 85	Would have added an additional, optional, Rule of 85 early retirement incentive provision to CalSTRS, which would permit service retirement at or over age 50 without any actuarial reduction in the age 60 retirement factor if the total of the member's age and credited service is at least 85. Employers would be required to pay the actuarial present value cost of the increased allowance plus related CalSTRS Administrative Costs. The Governor determined that funding this program would divert funds from the classroom; adding early incentives for retirement to experienced educators with many productive years of service remaining in their careers is contrary to predictions of teacher shortages; and, it places retirees in a position to require purchasing power protection earlier than normal. <i>Sponsor: Marin County Superintendents</i>	Governor Veto (9/20/88)
AB 3409 (Frizzelle) Intro 2/16/88	Subrogation Program	Permits the Board to initiate a program to recover benefits paid as a result of the death of or injury to a CalSTRS member caused by a third person (other than the employer).	380 (7/15/88)
AB 3887 (Grisham) Intro 2/18/88	CalSTRS Technical Housekeeping	1) Deletes a provision requiring CalSTRS to notify retirees of income tax liabilities which were made obsolete by the Federal Tax Reform Act of 1986; 2) rennumbers a section of the definitions chapter to be in alphabetical order; 3) clarifies that the Board may contract with investment managers to monitor and advise the Board on the voting of shares owned by CalSTRS and advise on responses to other corporate governance matters; 4) clarifies that the original disability allowance date be retained as the base date for determining post retirement benefit increases only when there is a continuous benefit from CalSTRS when a disability allowance is converted to a service retirement allowance; and 5) deletes a reference to a repealed section of the Education Code. <i>Sponsor: CalSTRS</i>	382 (7/15/88)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 4095 (Elder) Intro 2/19/88	CalSTRS/CalPERS; fiduciary standards review	Requires the Board and the Board of Administration of CalPERS to review their fiduciary standards and report to the Legislature all recommended changes and additions to current statute by 3/1/89.	241 (6/29/88)
SB 451 (Beverly) Intro 2/18/87	Investments; corporate governance standards	Creates a qualification exemption for companies whose securities are traded on the National Market System of the National Association of Securities Dealers, Inc. <i>Sponsor: National Association of Securities Dealers</i>	716 (8/29/88)
SB 959 (McCorquodale) Intro 3/4/87	70% Purchasing power protection for 1989/90	Would have increased the purchasing power of CalSTRS benefit recipients to 70 percent of their original purchasing power for fiscal year 1989-90 and 75 percent in 1990-91 at a cost of \$160 million in the first year. The Governor stated that he already provides funds for the maintenance of 68.2 percent of original purchasing power to offset inflation for retired teachers and suggested that further enhancements should be considered during the normal budget process. <i>Sponsor: Association of Retired Teachers</i>	Governor Veto (9/30/88)
SB 1190 (Lockyer) Intro 3/5/87	Separate account for non-member spouse	Requires CalSTRS, pursuant to a court order, to establish a separate account for service credit and contributions and interest awarded a non-member spouse in a division of community property. The non-member spouse would be eligible to elect a retirement allowance or a refund of contributions and interest.	542 (8/23/87); effective 8/24/88; retroactive to 6/1/88
SB 1600 (Garamendi) Intro 3/6/87	Investments; voting records disclosure	Requires anyone authorized to vote shares of stock owned by others to maintain a record of how the shares are voted and make disclosure of this information. <i>Sponsor: Senate Commission of Corporate Governance, Shareholder Rights and Securities Transactions (co-sponsors)</i>	1360 (9/25/88)
SB 2060 (McCorquodale) Intro 2/1/88	Investments; prohibits greenmail and hushmail	Would have prohibited target corporations, as defined, from repurchasing more than 3 percent of its equity securities for more than the post-disclosure market price, as defined, from shareholder or beneficial owner unless approved by the board of directors and shareholders, except as specified. The Governor vetoed a similar bill last year and although he rejects the practice of "greenmail," his concern was that the 3 percent purchasing limit proposed may be overly prescriptive, the definition of "target" corporation may be unconstitutional and further stated that interstate regulation was the appropriate way to proceed. He also stated that he would welcome federal legislation to address the issue. <i>Sponsor: Senate Commission on Corporate Governance, Shareholder Rights and Securities Transactions</i>	Governor Veto (9/19/88)
SB 2080 (Royce) Intro 2/12/88	Exemption from Probate Code; application for death benefits	As an urgency measure, expedites death claim payments by authorizing beneficiaries to apply for CalSTRS payment of death benefits under certain conditions without the 40-day waiting period currently required in Section 13101 of the Probate Code.	462 (8/20/88); effective 8/22/88

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
SB 2082 (Royce) Intro 2/12/88	Membership qualifications for substitutes and part-time employees	Provides that teachers who have performed 100 or more complete days of substitute service, or 60 hours (10 days) or more of part-time service in a pay period, in one school district or county superintendent's office shall become members on the first day of the following pay period. <i>Sponsor: Orange County Office of Education</i>	497 (8/22/88)
SB 2552 (Keene) Intro 2/19/88	Investments; requirement for independent financial opinion	Requires an independent financial opinion that a proposal for a corporate reorganization, sale of assets or tender offer is fair to the shareholders. If there is more than one proposal received, the first proposal may not be consummated without allowing shareholders a reasonable opportunity to consider the record. <i>Sponsor: Senate Commission of Corporate Governance, Shareholder Rights and Securities Transactions</i>	265 (7/4/99); effective 7/5/88
SB 2578 (Robbins, et al) Intro 2/19/88	Investments; insider trading/securities practices	Makes various additions and amendments to the Corporations Code related to insider trading and other fraudulent securities practices. <i>Sponsor: Senate Commission of Corporate Governance, Shareholder Rights and Securities Transactions</i>	1339 (9/24/88)
SB 2648 (Kopp) Intro 2/19/88	Clarifying statute; errors and omissions	Clarifies the statutes pertaining to the correction of errors and omissions. <i>Sponsor: CalPERS</i>	1089 (9/20/88)
SB 2680 (C. Green) Intro 2/19/88	Spousal signature on disbursements	Would have required a spousal signature on forms for applications to withdraw CalSTRS accumulated annuity deposit contributions; and authorized governing boards of community college districts to adopt workload balancing programs for certificated employees, as specified. <i>Sponsor: Faculty and Administration of California Community Colleges</i>	Governor Veto (9/23/88)
SB 2682 (C. Green) Intro 2/19/88	Statute of Limitations; adjustments of errors/omissions	Sets a statute of limitations of 3 years for adjustments of errors or omissions for purposes of payments into or out of the TRF. <i>Sponsor: California Retired Teachers' Association</i>	739 (8/30/88)

1987 STATE LEGISLATION (1987-1988 Legislative Session)			
Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 165 (Stirling) Intro 12/29/86	Ancillary benefit disclosure requirements	Requires that each quarterly supplemental benefit maintenance payment shall be accompanied by a specified statement regarding the contingent nature of those payments.	123 (7/6/87)
AB 763 (Frizzelle) Intro 2/19/87	Determining creditable and noncreditable earnings	1) Authorizes the Board to determine what payments are or are not compensation and salary for retirement purposes when compensation and salary issues are in question (creditable vs. noncreditable earnings); and 2) adds clarifying definitions for the protection of the TRF and for improvement in operating efficiency.	76 (6/30/87)
AB 960 (Hughes, et al) Intro 2/26/87	Golden Handshake	Extends the CalSTRS Golden Handshake Program through 6/30/90. There is, however, a six-month period from 7/1/87 through 12/31/87 when the provisions of this bill are not operative. <i>Sponsor: Association of California School Administrators, California Teachers' Association</i>	601 (9/12/87)
AB 1102 (Elder) Intro 3/2/87	Actuarial valuation requirements	1) Requires that the actuarial valuation report of the System's assets and liabilities include the components of normal cost and adequate information to determine the effects of changes in actuarial assumptions; 2) requires the actuarial report be transmitted to the Governor and Legislature; 3) extends the sunset date of a provision of law requiring CalSTRS to give priority to investing 25 percent of funds available for new investments in California residential realty; and 4) moved this provision from the Financial Code to the Education Code. <i>Sponsored by Variable Annuity Life Insurance Company</i>	416 (9/3/87)
AB 1424 (Calderon) Intro 3/4/87	TSA Program; administration	Provides that any TSA program operated by CalSTRS must provide all operating costs and expenses without subsidy from the TRF and also prohibits CalSTRS from utilizing its member mailing list for the purpose of transmitting information dedicated solely to advertising or marketing this program. <i>Sponsor: Variable Annuity Life Insurance Company</i>	1419 (9/30/87)
AB 2041 (Hughes) Intro 3/6/87	Disabled members; limitations	Would have permitted CalSTRS to pay a disability allowance to a disabled member who had filed a pre-retirement election of an option and would permit a disabled member to file for a pre-retirement election of an option. The Governor determined that the cost of providing pre-retirement survivor benefit options to active members of CalSTRS and allowing disabled members to file for those options would increase annual costs and contribute to CalSTRS' unfunded liability. <i>Sponsor: California Federation of Teachers</i>	Governor Veto (9/27/87)
AB 2042 (Hughes) Intro 3/6/87	Post-retirement benefit increases; service retirement	Defines the initial effective date for purposes of applying post-retirement benefit increases when a disability allowance is converted to a service retirement allowance.	327 (7/30/87)

Initiative	Subject	Summary / Benefit(s)	Chapter # or Status
AB 2192 (Grisham) Intro 3/6/87	CalSTRS Technical Housekeeping	1) Adds clarifying changes related to CalSTRS investment managers; 2) deletes obsolete report requirements related to the transition of the CalSTRS investment function from CalPERS; 3) clarifies various CalSTRS plan design aspects related to "normal retirement age;" 4) deletes a reference to a repealed section of the Education Code; 5) adds a clarifying change related to the collection of overpayments; and 6) adds a technical amendment related to the CalSTRS Reduced Workload Program.	330 (7/30/87)
SB 200 (Roberti, et al) Intro 1/20/87	Litigation; closed session requirements	1) Provides, among other things, that a state body prior to holding a closed session to discuss litigation must require its legal counsel to prepare and submit a memorandum stating the specific reasons and legal authority for closed session; and 2) specifies that all expressions of lawyer-client privilege other than those provided in the litigation subdivision are abrogated. <i>Sponsor: California Newspaper Publishers</i>	1320 (9/28/87)
SB 748 (Royce) Intro 3/2/87	Modify refund of contributions; member exclusions	1) Authorizes the Board, in the refunding of contributions, to dispense with the collection of amounts due from former members if the amount is \$50 or less; and 2) codifies administrative procedure by specifically excluding student interns, participants in the New Careers Program, instructional aides and teacher aides from CalSTRS membership.	373 (8/28/87), effective 1/1/88
SB 990 (McCorquodale) Intro 3/4/87	Concurrent retirement	Authorizes concurrent retirement for CalSTRS members with less than five years of CalSTRS service who move to employment covered by the Legislators' Retirement System.	1312 (9/28/98), effective 1/1/88
SB 998 (Hart) Intro 3/4/87	Education Code Housekeeping	Major clean-up of non-substantive items in the Education Code.	1452 (9/30/87), effective 1/1/88
SB 1130 (McCorquodale) Intro 3/5/87	Errors & Omissions	Authorizes the Board to correct errors or omissions due to inadvertence, oversight, mistake of fact, mistake of law, or other cause by the Board, the System, employers, members, or their beneficiaries.	376 (8/28/87), effective 1/1/88
SB 1131 (McCorquodale) Intro 3/5/87	Teachers' Retirement Board; member/Community College instructor reimbursement	Provides reimbursement to a Community College district for the expense of a replacement instructor when the regular Community College instructor, while serving as an appointed Board member, is on official System business.	1395 (9/29/87), effective 1/1/88
SB 1194 (Robbins) Intro 3/5/87	Investments; shareholder rights	Requires specified corporations, upon written request of a shareholder, to inform the shareholder of the result of any particular vote taken at specified meetings for a period of 60 days following the conclusion of the meeting. <i>Sponsor: Commission of Corporate Governance, Shareholder Rights and Securities Transactions</i>	408 (9/2/87), effective 1/1/88
SB1464 (Keene) Intro 3/6/87	Investments; shareholder rights	Mandates an independent appraisal on a leveraged buy out offer by management to protect the interests of shareholders. <i>Sponsor: Commission of Corporate Governance, Shareholder Rights and Securities Transactions</i>	627 (9/12/87), effective 1/1/88

Glossary of Commonly Used Terms

Active Member

(Previously "Member")

A **member** of the **Defined Benefit Program** who has performed creditable service within the last school year

Actuarial accrued liability

Present value of benefits payable in the future to current **members** or **participants**

Actuarial equivalent

Two **benefits** of equal present value, using mortality tables and interest rates adopted by the **Board**

Actuarial experience analysis

An actuarial investigation of the plan's experience that examines the factors that influence the cost of a retirement plan; it includes economic factors such as inflation, return on investment and wage increases, as well as non-economic factors, such as mortality and rates of retirement and is the basis for adopting valuation assumptions

Actuarial gains and losses

The effect on the cost of a plan when experience differs from the assumptions used in determining the cost (because assumptions are long range and current experience fluctuates over the short range, actuarial gains and losses are normal occurrences and are not significant unless either gains or losses caused by the same factor consistently occur over an extended period of time.)

Actuarially assumed rate of return

The long-term annual rate of return of investment assumed in the valuation. The actuarially assumed rate of return for the June 30, 2001, valuation was 8%

Actuarially reduced

An allowance that has been reduced, but is still the **actuarial equivalent** of the original allowance

Actuarial valuation

The determination, as of a given date, of the **present value** of expected future liabilities of a pension plan, the assets of the plan, the **actuarial unfunded obligation**, the **normal cost rate**, the future salaries of members and the resulting **amortization rate** for the **actuarial unfunded obligation** over a specified period

Additional earnings credit

An increase in earnings to the employee account in excess of the **minimum interest rate** in the **Defined Benefit Supplement and Cash Balance Benefit Programs**, calculated as a percentage, as determined by the **Board**, of the prior fiscal year ending balance of each account

Ad hoc increase

A permanent increase to some or all benefits in force. It does not change the benefit plan, only the allowances currently being paid. The increase is usually granted because the regular **cost-of-living adjustments (COLA)** have been less than inflation levels. Ad hoc increases may be included in the base for future COLAs

Age factor

The percentage of **final compensation** per year of **credited service** payable as a **benefit**, determined by the **member's** age at retirement

Amortization rate

The rate (usually expressed as a level percentage of payroll) needed to eliminate the **unfunded actuarial obligation** over a specified time; this rate is affected by changes in experience and by plan changes that apply to service performed prior to the valuation date

Annuitant reserve

A reserve established within the **Teachers'**

Retirement Fund to which assets from a member's **Defined Benefit Supplement Program** account or a participant's **Cash Balance Benefit Program** account are transferred when the **participant** has elected to receive a benefit payment in the form of an **annuity**

Annuity

In the **Defined Benefit Program**, the amount paid to a **member** derived from voluntary contributions (no longer permitted) by a member in excess of those required for **creditable service**; in the **Defined Benefit Supplement Program** or **Cash Balance Benefit Program**, the amount of money paid monthly to a **member, participant, or beneficiary**

Barnes Act

Part 13 of the Education Code, governing administration of the **Defined Benefit Program**; the formal name is the "E. Richard Barnes Act"

Basis of employment

The standard of time over which the employer expects **service** to be performed by an employee during the school year

Beneficiary

The person(s) or entity(ies) eligible to receive **Defined Benefit Program** or **Defined Benefit Supplement Program** **benefits** upon the death or disability of a member, or designated by a **participant** to receive benefits provided by the **Cash Balance Benefit Program** in the event of the **participant's** death

Benefit

A **monthly or lump-sum payment** made to a retired member, disabled member, retired participant, disabled participant, or beneficiary

Board

The **Teachers' Retirement Board**

California service

Employment service performed in California for which **service credit** may be given

California State Teachers' Retirement System (CalSTRS)

The agency that administers the California State Teachers' Retirement Plan

Career Bonus - two parts

- Career factor (*Previously "Career Bonus"*): A 0.2 percentage point increase in the **age factor**, up to a maximum age factor of 2.4%, for **Defined Benefit Program members** with 30 or more years of **credited service**
- Longevity bonus: added to the unmodified monthly retirement allowance for those members whose accumulated service credit equals or exceeds 30 years by the end of the window period between January 1, 2001 and January 1, 2011, regardless of when they retire

Cash Balance Benefit Program (CB Benefit Program)

(*Previously "State Teachers' Retirement System Cash Balance Plan"*)

A program within the **State Teachers' Retirement Plan** available to persons employed to performed **creditable service** for less than 50% of full-time for employers who have elected to offer the program

Certificated

The holding by a person of a credential required by law to be held as a condition of valid employment in the position in which the person is employed

Class of employees

A group of employees who perform similar duties, are employed in the same type of program, or share other similarities related to the work being performed

Compensation earnable

The annual **creditable compensation** that a person would earn during a school year if that person was employed on a full-time basis and worked full-time in that position

Concurrent membership

A relationship between the **State Teachers' Retirement Plan** and other specified California public retirement systems in

which a person who is a **member** of both the **Defined Benefit Program** and the other system(s) is eligible for specific benefits, including the right to redeposit previously refunded contributions without being re-employed in a position subject to coverage in that retirement system and to have **final compensation** computed based on highest compensation of either system

Concurrent retirement

The simultaneous retirement from the **Defined Benefit Program** and other specified California public retirement systems, in which **final compensation** for purposes of calculating a retirement allowance is based on the highest **final compensation** calculated for any of the eligible retirement systems

Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA)

Federal law, which provides a vital health plan bridge for qualified workers, their spouses and their dependent children when their health insurance might otherwise cease

Contribution rate

The percentage of **creditable compensation** required to be paid by a **member**, **participant**, or employer, as provided in the **Teachers' Retirement Law**, to finance the **benefits** provided by the **State Teachers' Retirement Plan**

Cost-of-living adjustment (COLA)

An adjustment made to an allowance to compensate for all or a part of the increase in the cost-of-living, usually as measured by a consumer price index (see "*improvement factor*")

Coverage A

A program of disability and **family allowances** available to persons who were **members** on October 15, 1992 and did not elect **Coverage B**

Coverage B

A program of disability and **survivor benefits** available to persons who became **members** after October 15, 1992, or were **members** on October 15, 1992 and elected **Coverage B**

Creditable compensation

(Previously "*Creditable earnings*")

In the **Defined Benefit Program**, the salary or other remuneration payable in cash by an employer to a **member** for **creditable service**

Creditable service

Specified **service** performed for an employer in a position requiring a credential, certificate, or permit pursuant to the Education Code, or under standards adopted by the Board of Governors of the California Community Colleges or under the provisions of an approved charter for a charter school eligible to receive a state apportionment

Credited interest

Interest credited to a **member's Defined Benefit Program** account at a rate set annually by the **Board** and refunded to the **member** or a **beneficiary** upon the member's termination of service. The **credited interest rate** is based on the average rate paid on two-year Treasury notes for the twelve months ending April 30 and for 2002-03 is set at 3.75%

Credited service

Service for which required contributions have been paid and that is used to determine eligibility for an allowance payable under the **Defined Benefit Program**

Death benefit

The benefit that is payable to the beneficiary of a member of the **Defined Benefit Program** or a **participant** of the **Cash Balance Benefit Program**, upon the member or participant's death.

Defined Benefit Program (DB Program)

(Previously "*State Teachers' Retirement System Defined Benefit Plan*")

The program of coverage available to **members** who perform **creditable service**, retire and receive a benefit based upon age, **service credit** and **final compensation**.

Defined benefit plan

A retirement plan that specifies the benefit to be received after retirement, or the formula for determining such benefits. The

benefits are not directly dependent on the member (and/or employer) contributions and the interest actually earned on those contributions. The contribution rate required for such a plan is determined through periodic valuations (also see “*hybrid plan*”)

Defined Benefit Supplement Program (DBS Program)

A program that increases, or supplements, the amount payable at retirement to members of the DB Program, by the amount in the member’s DBS account

Defined contribution plan

A retirement plan where member and/or employer contribution rates are specified and the benefit is the accumulated contributions and interest credited to the member’s account at the time of retirement, disability, or termination of employment. Interest is credited at actual earned rates; an administrative charge may be deducted. Life annuities in the amount that can be purchased by the member’s accumulated contributions are often made available as one choice of distribution. The CalSTRS Voluntary Investment Program 403(b) plan is a defined contribution plan. (Also see “*hybrid plan*”)

Disabled member

(Previously “*Disablitant*”)

A member of the **Defined Benefit Program** receiving a **disability allowance**

Disabled participant

A participant in the **Cash Balance Benefit Program** receiving a **disability benefit**

Disability allowance

An amount payable on a monthly basis to a **disabled member** subject to **Coverage A**

Disability benefit

A benefit payable to a **disabled participant** of the **Cash Balance Benefit Program** or to a disabled member under the **Defined Benefit Supplement Program**

Disability retirement allowance

An amount payable on a monthly basis to a **member** subject to Coverage B who has retired for disability, or to a member retired for disability prior to 7/1/72

Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)

Federal legislation that enacted a number of changes to federal law to enhance the portability of funds among different types of retirement plans, including 401(k), 403(b), 457 plans, IRAs and 401(a) retirement plans. In addition, it increases the contribution limits to 403(b), 457 and 401(a) plans and increases the annual allowance limit for **defined benefit plans**.

Employee Retirement Income Security Act of 1974 (ERISA)

Federal statutory framework that governs the administration of employee benefit plans and the rights of the beneficiaries under the plan; applies to any employee benefits plan if the plan is established or maintained by an employer engaged in commerce or by an employee organization representing employees engaged in commerce or in any industry or activity affecting commerce

Entry age normal cost method

A method of calculating normal cost, that spreads cost as a level percentage of payroll over the entire working life of a member; this is the method used in the Defined Benefit Program

Family Allowance

A monthly allowance payable upon the death of an **active member** or a **disabled member** who was subject to **Coverage A** (similar to Survivor Allowance, which is applicable to member deaths prior to July 1, 1972)

Final benefit

The lump-sum death benefit that is payable to the beneficiary of a member of the **Defined Benefit Supplement Program**

Final compensation

The highest average annual **compensation earnable** by a **member** during any period of three consecutive years while an **active member**, unless:

- the member is a classroom teacher who retired during the term of a negotiated agreement to calculate **final compen-**

sation on the basis of the highest 12 consecutive months, or

- **concurrently retires** with another California public retirement system, in which case service in the other system(s) is also considered when calculating **final compensation** (see also “Indexed Final Compensation” and “Projected Final Compensation”), or
- the member accumulated 25 or more years of service credit, in which case it is the highest 12 consecutive months

Full-time

The days or hours of **creditable service** the employer requires be performed by a **class of employees** in a school year to earn the **compensation earnable** for that class, subject to minimum standard of days or hours specified in the Education Code

Full-time equivalent (FTE)

The time a person who is employed on a part-time basis would be required to serve in a school year if he or she were employed full-time in that position

Funding period

The time frame over which **amortization** occurs; it properly represents a specific date in the future at which time amortization is expected to be complete; this is known as a “closed” funding period. If **contribution rates** are fixed, the funding period will vary with each **actuarial valuation**. If contribution rates are adjusted after each actuarial valuation, the funding period is usually fixed and the contribution rate is adjusted to the level needed to amortize by the end of the funding period

Funding rate

The cost, expressed as a level percentage of payroll, of paying the **normal cost** and eliminating the **actuarial unfunded obligation** over a specified period of time; the sum of the **normal cost rate** plus the **amortization rate**

Gain and Loss Reserve

A reserve account established for the **Defined Benefit Supplement Program** and the **Cash Balance Benefit Program**

available to be drawn upon to the extent necessary to credit interest to employee accounts and employer accounts if investment earnings are not adequate to meet the **minimum interest rate**

Government Pension Offset (GPO)

A reduction in Social Security benefits paid to a spouse if the spouse receives a pension based on employment not covered by Social Security

Hybrid plan

A retirement plan that has features of both a **defined contribution plan** and a **defined benefit plan**. The **Defined Benefit Supplement** and **Cash Balance Benefit Programs** are hybrid plans because they provide a minimum guaranteed benefit by specifying contribution rates and a guaranteed **minimum interest rate** and therefore they meet the IRS definition of **defined benefit plans**, but the ultimate benefit to the employee is, to a degree, determined by the rate of return earned by employee and employer contributions and therefore, acts like a **defined contribution plan**

Improvement factor

A simple increase of 2% in benefits provided on September 1 of each year following the first anniversary of the effective date of retirement, or the date monthly benefits accrue to a **beneficiary**. More commonly referred to as a **cost-of-living adjustment**

Inactive member

A member who is not a **retired member** or a **disabled member** and has not earned **creditable compensation** during the school year ending June 30

Indexed final compensation

Final compensation upon which a **disability allowance** or **disability retirement allowance** was based, adjusted annually by the rate of change in the average **compensation earnable**, as determined by the **Board**. Used in determining whether a **disability allowance** should be terminated or has been overpaid because the **member**

has received earnings from other sources in excess of specified limits

Joint and survivor annuity

A plan feature where a **retired participant** in the **Cash Balance Benefit Program** or **retired member** receiving a benefit under the **Defined Benefit Supplement Program** may choose to redistribute his or her retirement benefit over both the life of the **participant** or **member** and that of a **beneficiary** chosen by the **participant** or member (similar to an option available to a member of the **Defined Benefit Program**)

Longevity Bonus

A monthly **benefit** of \$200, \$300 or \$400 that is added to the unmodified monthly retirement **allowance** of those members whose accumulated **service credit** is at least 30 years by the end of the window period between January 1, 2001 and January 1, 2011, regardless of when they retire

Medicare Premium Payment Program (MPP Program)

A program under which CalSTRS pays the Medicare Part A (hospitalization) premiums and applicable late enrollment surcharges for retired **Defined Benefit Program members** who do not qualify for Part A coverage on a premium-free basis. The **Teachers' Retirement Board** has extended coverage to eligible members retiring prior to January 1, 2006. However, CalSTRS cannot pay any late enrollment surcharges for DB Program members who enrolled in Medicare after July 1, 2001.

Member

A person who has performed **creditable service** under the **Defined Benefit Program** and has earned compensation for that service and has not received a refund for that service

Minimum interest rate

The annual rate determined by the **Board** and credited to employee accounts and employer accounts in the **Cash Balance Benefit Program** and the **Defined Benefit Supplement Program**. The rate is based on the average rate paid on 30-year Treasury bonds for the twelve-month period ending April 30, rounded up to the nearest

percentage point. For 2002-03, the rate is 6 5.5 percent

Mortality rate

The average expected death rate for a group of individuals at a given age

Multiple retirement

A retirement by a **member** subsequent to the **reinstatement** of the **member** who previously received a **service retirement allowance** or a **disability retirement allowance**

Normal cost rate

The cost, expressed as a level percentage of payroll, of current or future (as opposed to prior) service. (When a plan change or a change in experience changes the expected liabilities only for service prior to the valuation date, this cost change will be shown in the amortization rate. When a change affects only liabilities for service to be performed after the valuation date, the change will affect the normal cost rate. If the change is applicable to all service, both before and after the valuation date, it will affect both the normal cost rate and the amortization rate.)

Normal retirement age

The age at which a **member** is eligible for a **service retirement allowance** without reduction because of age and without special qualifications. The normal retirement age for **members** of the **Defined Benefit Program** and **Defined Benefit Supplement Program** and **participants** in the **Cash Balance Benefit Program** is age 60

Option

An election by a **member** to provide an allowance that is **actuarially reduced** from the **unmodified allowance** and is payable to an option **beneficiary** upon the **member's** death.

The DB Program currently has 7 options:

Option 2: Joint and 100 percent to **beneficiary**: Upon the retired member's death the modified allowance will continue to be paid to the **option beneficiary** for life.

Option 3: Joint and 50 percent to **beneficiary**. Upon the **retired member's** death, one-half of the modified allowance will continue to be paid to the **option beneficiary** for life.

Option 4: Joint and 66-2/3 percent to survivor: Upon the death of either the **retired member** or the **option beneficiary**, two-thirds of the modified allowance will continue to be paid to the survivor for life.

Option 5: Joint and 50 percent to survivor: Upon the death of either the **retired member** or the **option beneficiary**, one-half of the modified allowance will continue to be paid to the survivor for life.

Option 6: Joint and 100 percent to option beneficiary with "Pop Up": Upon the **retired member's** death, the modified allowance will continue to be paid to the **option beneficiary** for life. If the option beneficiary predeceases the **retired member**, the retired member's allowance will be raised or "pop up" to the **unmodified allowance** level. The retired member, however, may elect to name a new option beneficiary and again receive a modified allowance.

Option 7: Joint and 50 percent to option **beneficiary** with "Pop Up": Upon the **retired member's** death, one-half of the modified allowance will continue to be paid to the **option beneficiary** for life. If the option beneficiary predeceases the **retired member**, the retired member's allowance will pop up to the **unmodified allowance** level. The retired member, however, may elect to name a new option beneficiary and again receive a modified allowance.

Option 8: Provides joint and survivor benefits to two or more option beneficiaries. Member may elect the same or a different option for each option beneficiary and may also reserve a portion of the allowance as unmodified. Upon the death of the member the option beneficiaries receive an allowance as stated under the designated options. If any

of the option beneficiaries predecease the member, the allowance will change as stated under those designated options.

Option beneficiary

A person designated to receive an allowance that is **actuarially reduced** from the unmodified allowance and is payable upon the **member's** death. (**Participants** of the **Cash Balance Benefit Program** may elect to have **annuity** payments paid to beneficiaries on a similar basis, although such **beneficiaries** are not defined as **option beneficiaries** in that program)

Overtime

The total service performed by a **member** in excess of the hours of work considered normal for employees employed on a full-time basis

Participant

A person who has performed **creditable service** subject to coverage by the **Cash Balance Benefit Program**, who has contributions credited under the program or is receiving an **annuity** under the program

Permissive service credit

Specified previous service or time, such as maternity/paternity leave, sabbaticals. or teaching in public schools in another state or territory, or up to 5 years of service credit not associated with any prior service, for which a member may purchase **service credit**

Pre-retirement option election

An election by a **member** who is eligible to retire to designate an **option** and a **beneficiary** and in which the selected option allowance would be payable upon the death of the **member**, if the death preceded the member's retirement

Present value

Current value of a series of future payments computed with adjustments for (1) expected payment increases (**improvement factor**), (2) the likelihood of payment (**mortality**) and (3) the time value of money (interest)

Projected final compensation

The **final compensation** used under **Coverage A** when the **disability allowance**

or **family allowance** was computed, increased by 2% compounded annually to the earlier of **normal retirement age** or the date the **disability allowance** is terminated. Used in determining a **service retirement allowance** for a **member** who is receiving a **disability allowance** and has reached **normal retirement age** or later if there is a dependent child and to compute **family allowance** for eligible spouse after the death of a member

Projected service

The **credited service** plus the service credit that would have been earned if a **disabled member** had continued to earn **credited service** to the earlier of **normal retirement age** or the date the **disability allowance** is terminated. Used under Coverage A in determining a **service retirement allowance** for a **member** who is receiving a disability allowance and has reached **normal retirement age** or later when there is no dependent child and to compute **family allowance** for eligible spouse after the death of a member

Purchasing power protection payments

Supplemental payments made to members whose current allowance is worth less than 80% of the original allowance, when adjusted for increases in the All Urban California Consumer Price Index (CCPI). Also called **supplemental benefit maintenance payments**

Regular interest

Interest equivalent to the average rate paid during the prior year for maturities of over one year in length by fixed-income securities. Applied to the amount due from **members** re-depositing previously withdrawn contributions and making installment payments for **permissive service credit** and to employers when reporting contributions after the specified deadlines; for 2002-03 the rate is 6%.

Reinstatement

The termination of a **service retirement allowance** or **disability retirement allowance** and establishing status either as an **inactive member** or an **active member**

Retired member

(Previously “Retirant”)

A **member** receiving a **service retirement allowance** or a **disability retirement allowance**

Retired participant

A **participant** of the **Cash Balance Benefit Program** who elected to receive a **benefit** in the form of an **annuity** upon retirement

Salary

In the **Cash Balance Benefit Program**, compensation payable in cash by an employer to a **participant** for **creditable service** (similar to **creditable compensation** to **Defined Benefit Program** members)

Service

Service performed for compensation in a position subject to coverage under the **Defined Benefit Program** or permitting participation in the **Cash Balance Benefit Program**

Service retirement allowance

A monthly **benefit** payable to a **member** of the **Defined Benefit Program** upon retirement for reasons other than disability

Single life annuity

An election by a **participant** under the **Cash Balance Benefit Program** or a member of the **Defined Benefit Supplement Program** in which an **annuity** benefit ceases being paid upon the death of the **participant** or **member**

State Teachers’ Retirement Plan

The plan of retirement benefits and other ancillary benefits provided through the **Defined Benefit Program**, the **Cash Balance Benefit Program** and the **Defined Benefit Supplement Program**

State Teachers’ Retirement System (System)

The department that administers the **State Teachers’ Retirement Plan**

Supplemental benefit maintenance payments

Supplemental payments made to **members** and **beneficiaries** of the **Defined Benefit Program** whose current allowance is worth less than 80% of the original allowance, when adjusted for increases in the CCPI;

also called **purchasing power protection payments**

Survivor allowance

A monthly allowance payable upon the death of an **active member** or a **disabled member** prior to July 1, 1972 (Similar to **family allowance**, which is applicable to member deaths on or after July 1, 1972)

Survivor benefit allowance

A monthly allowance payable upon the death of an **active member** who was subject to **Coverage B**

System

The California State Teachers' Retirement System

Teachers' Health Benefit Fund

The trust fund in the state treasury in which contributions and investment earnings associated with the CalSTRS health benefit programs, such as the **Medicare Premium Payment Program**, are held and from which all **benefits** are paid

Teachers' Retirement Board (TRB or Board)

A 12-member Board that manages the **State Teachers' Retirement System**

Teachers' Retirement Fund (TRF)

The trust fund in the State Treasury in which all contributions and investment earnings associated with the **Defined Benefit Program**, the **Defined Benefit Supplement Program** and the **Cash Balance Benefit Program** are held and from which all benefits are paid

Teachers' Retirement Law (TRL)

Part 13 of the Education Code, governing administration of the **Defined Benefit Program** and the **Defined Benefit Supplement Program**; part 13.5 of the Education Code, governing administration of the Health Care Benefits Program; and Part 14 of the Education Code, governing administration of the **Cash Balance Benefit Program**

Termination benefit

The **benefit** paid from the employee account and the employer account to a **Cash**

Balance Benefit Program participant, or to a member under the **Defined Benefit Supplement Program**, on a lump-sum basis upon termination of service for any reason other than death, disability, or retirement of the participant or member

Traditional unit credit cost method

A method under which **actuarial accrued liability** is equal to the present value of benefits for service accrued to the valuation date. The **normal cost** is equal to the actuarial present value of benefits allocated to a valuation year. This is the cost method used for the **Cash Balance Benefit Program**

Unfunded actuarial obligation

The additional assets a retirement plan would need to have on the valuation date in order to meet the expected liabilities of the plan for service that has been performed in the past. This figure does not include any liabilities that will be incurred for future service or any assets that will be received in the future. The liabilities are based upon anticipated future salary increases that will be used to determine future benefits. The value is dependent on the actuarial assumptions, the population, the actuarial cost method and the asset valuation method. Sometimes called the unfunded actuarial accrued liability.

Unmodified allowance

The maximum monthly **benefit** paid to a **retired member**, which terminates upon the death of that **member** under the **Defined Benefit Program**

Valuation assumptions

The factors used in calculating the expected future liabilities and assets of a retirement plan. They are long-range averages and are not necessarily indicative of current conditions. The most commonly quoted assumptions are return on investments, wage inflation and rate of inflation. Other assumptions, such as **mortality rate** and turnover, concern the number of people contributing to the retirement plan or drawing a **benefit** from the plan

Windfall Elimination Provision (WEP)

Provides an alternative calculation of an individual's Social Security benefit, resulting in a lower Social Security benefit for retirees who worked in employment not covered by Social Security and who had their jobs where they paid Social Security taxes long enough to become eligible for a Social Security benefit

POPULATION INFORMATION

For Fiscal Year 2001-2002

(As of June 30, 2002)

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TABLE 1**Active Member Characteristics**

Fiscal Year Ending June 30	Count	Average Earnable Salary	Average Age	Average Service	Average Service Projected to Age 60
1993	313,617	\$39,945	44.7	12.0	27.3
1994	319,176	40,180	44.7	12.0	27.2
1995	327,513	40,716	44.8	11.9	27.1
1996	336,725	41,577	44.9	11.8	27.0
1997	364,000	42,557	44.5	11.3	26.8
1998	385,530	43,766	44.3	11.0	26.7
1999	402,220	45,421	44.2	10.8	26.6
2000	420,530	46,677	44.2	10.7	26.5
2001	428,741	51,478	44.3	10.7	26.4
2002	442,208	53,113	44.3	10.5	26.2

¹ Average salary that would be paid if members worked on a full-time basis

TABLE 2**Active Member Salary Characteristics**

Fiscal Year Ending June 30	Count	EARNED SALARY		EARNABLE SALARY ¹		
		Total Salary	Average Salary	Average Salary	% Increase Over Prior Year	Average Increase_to 2002
1993	313,617	\$11,712,337,653	\$37,346	\$39,945	-0.4%	3.2%
1994	319,176	11,978,064,140	37,528	40,180	0.6	3.5
1995	327,513	12,411,264,262	37,895	40,716	1.3	3.9
1996	336,725	12,994,673,531	38,591	41,577	2.1	4.2
1997	364,000	14,371,068,403	39,481	42,557	2.4	4.5
1998	385,530	15,725,658,541	40,790	43,766	2.8	5.0
1999	402,220	17,007,886,951	42,285	45,421	3.8	5.4
2000	420,530	18,224,271,726	43,336	46,677	2.8	6.7
2001	428,741	20,494,151,991	47,801	51,478	10.3	3.2
2002	442,208	21,731,775,317	49,144	53,113	3.2	-

	Male	Female	Total
Count	131,700	310,508	442,208
Percent of Total	29.8%	70.2%	100.0%
Average Age	45.3	43.8	44.3
Average Service	11.3	10.2	10.5
Calculated Average Entry Age	34.0	33.6	33.8
Median Entry Age ²	29.3	28.0	28.4
Average Earnable Salary	\$54,531	\$52,511	\$53,113
Average Accumulated Contributions	\$57,647	\$48,101	\$50,944

¹ Salary that would be paid if members worked on a full-time basis² Entry age determined using initial membership date

TABLE 3

Distribution of Active Members by Age and Service
(Age and service to nearest full year as of June 30, 2002)

ACTIVE MALE MEMBERS

Age	Years of Service					
	Less Than 1	1-5	6-10	11-15	16-20	21-25
Less than 25	455	782	0	0	0	0
25 to 30	1,464	9,390	303	0	0	0
30 to 35	1,132	10,946	4,984	129	0	0
35 to 40	865	6,501	5,076	2,555	81	0
40 to 45	871	4,948	3,246	3,691	2,021	67
45 to 50	832	4,637	2,843	3,129	2,996	2,329
50 to 55	861	4,526	2,776	2,906	2,655	3,465
55 to 60	650	3,223	1,831	2,002	1,812	1,825
60 to 65	294	1,568	770	814	723	582
65 to 70	110	627	264	219	207	141
70 and over	82	377	139	77	55	50
Age Unknown	1	11	3	0	0	0
Total	7,617	47,536	22,235	15,522	10,550	8,459

Age	Years of Service					Total
	26-30	31-35	36-40	41-45	Over 45	
Less than 25	0	0	0	0	0	1,237
25 to 30	0	0	0	0	0	11,157
30 to 35	0	0	0	0	0	17,191
35 to 40	0	0	0	0	0	15,078
40 to 45	0	0	0	0	0	14,844
45 to 50	182	0	0	0	0	16,948
50 to 55	4,848	438	0	0	0	22,475
55 to 60	4,419	4,915	297	0	0	20,974
60 to 65	951	1,632	1,130	13	0	8,477
65 to 70	190	199	228	104	6	2,295
70 and over	51	54	42	62	20	1,009
Age Unknown	0	0	0	0	0	15
Total	10,641	7,238	1,697	179	26	131,700

TABLE 3 (continued)

Distribution of Active Members by Age and Service
 (Age and service to nearest full year as of June 30, 2002)

ACTIVE FEMALE MEMBERS

Age	Years of Service					
	Less Than 1	1-5	6-10	11-15	16-20	21-25
Less than 25	1,792	3,552	0	0	0	0
25 to 30	3,270	32,383	1,427	0	0	0
30 to 35	1,897	24,357	15,263	478	0	0
35 to 40	1,595	12,898	10,502	7,488	394	0
40 to 45	1,626	11,982	8,018	7,918	5,126	269
45 to 50	1,574	12,208	8,623	7,980	6,364	5,551
50 to 55	1,211	10,413	8,416	9,608	7,152	6,731
55 to 60	783	5,841	4,918	6,642	5,937	4,970
60 to 65	306	2,089	1,636	2,178	2,323	2,255
65 to 70	107	676	414	528	501	549
70 and over	52	411	154	146	161	146
Age Unknown	11	299	86	0	0	0
Total	14,224	117,109	59,457	42,966	27,958	20,471

Age	Years of Service					Total
	26-30	31-35	36-40	41-45	Over 45	
Less than 25	0	0	0	0	0	5,344
25 to 30	0	0	0	0	0	37,080
30 to 35	0	0	0	0	0	41,995
35 to 40	0	0	0	0	0	32,877
40 to 45	0	0	0	0	0	34,939
45 to 50	392	0	0	0	0	42,692
50 to 55	7,249	885	0	0	0	51,665
55 to 60	5,436	7,145	614	0	0	42,286
60 to 65	1,901	1,808	1,329	70	0	15,895
65 to 70	471	325	200	79	8	3,858
70 and over	132	135	67	44	33	1,481
Age Unknown	0	0	0	0	0	396
Total	15,581	10,298	2,210	193	41	310,508

TABLE 3 (continued)

Distribution of Active Members by Age and Service
(Age and service to nearest full year as of June 30, 2002)

TOTAL ACTIVE MEMBERS

Age	Years of Service					
	Less Than 1	1-5	6-10	11-15	16-20	21-25
Less than 25	2,247	4,334	0	0	0	0
25 to 30	4,734	41,773	1,730	0	0	0
30 to 35	3,029	35,303	20,247	607	0	0
35 to 40	2,460	19,399	15,578	10,043	475	0
40 to 45	2,497	16,930	11,264	11,609	7,147	336
45 to 50	2,406	16,845	11,466	11,109	9,360	7,880
50 to 55	2,072	14,939	11,192	12,514	9,807	10,196
55 to 60	1,433	9,064	6,749	8,644	7,749	6,795
60 to 65	600	3,657	2,406	2,992	3,046	2,837
65 to 70	217	1,303	678	747	708	690
70 and over	134	788	293	223	216	196
Age Unknown	12	310	89	0	0	0
Total	21,841	164,645	81,692	58,488	38,508	28,930

Age	Years of Service					Total
	26-30	31-35	36-40	41-45	Over 45	
Less than 25	0	0	0	0	0	6,581
25 to 30	0	0	0	0	0	48,237
30 to 35	0	0	0	0	0	59,186
35 to 40	0	0	0	0	0	47,955
40 to 45	0	0	0	0	0	49,783
45 to 50	574	0	0	0	0	59,640
50 to 55	12,097	1,323	0	0	0	74,140
55 to 60	9,855	12,060	911	0	0	63,260
60 to 65	2,852	3,440	2,459	83	0	24,372
65 to 70	661	524	428	183	14	6,153
70 and over	183	189	109	106	53	2,490
Age Unknown	0	0	0	0	0	411
Total	26,222	17,536	3,907	372	67	442,208

TABLE 4

Active Members Classified by Age

MALE

Age	Count	Average Service Credit	Average Earnable Salary ¹	Age	Count	Average Service Credit	Average Earnable Salary ¹
20	31	1.918	\$28,916	47	3,297	10.709	\$55,969
21	5	.638	29,899	48	3,445	11.676	57,378
22	44	.538	26,727	49	3,733	12.599	58,897
23	326	.638	29,190	50	4,037	13.198	59,033
24	833	.855	30,248	51	4,250	14.335	60,511
25	1,344	1.213	32,135	52	4,519	15.444	62,020
26	1,829	1.596	33,909	53	4,782	16.460	62,971
27	2,284	2.040	35,738	54	4,886	17.471	64,277
28	2,832	2.487	37,429	55	5,257	18.662	65,261
29	2,868	2.864	38,737	56	4,838	19.472	65,766
30	3,037	3.262	40,200	57	3,878	20.254	66,478
31	3,566	3.642	41,629	58	3,550	21.137	66,951
32	3,755	4.115	43,289	59	3,450	21.396	67,003
33	3,538	4.468	44,489	60	2,845	21.397	66,152
34	3,295	4.814	45,651	61	2,108	21.637	66,211
35	3,154	5.240	47,014	62	1,482	18.612	64,128
36	2,971	5.743	48,318	63	1,154	17.761	62,681
37	2,955	6.038	49,508	64	888	17.548	61,374
38	2,968	6.533	50,620	65	681	17.984	60,376
39	3,030	6.849	50,703	66	558	17.090	58,272
40	2,961	7.455	52,011	67	420	17.674	58,909
41	2,990	7.902	52,814	68	362	14.658	54,432
42	2,980	8.241	52,634	69	274	15.442	54,271
43	2,954	8.879	53,966	70	218	16.411	53,797
44	2,959	9.149	53,799	71	183	15.059	52,337
45	3,194	9.600	54,686	71+	608	11.974	47,103
46	3,279	10.226	55,491	Age Unknown	15	3.073	35,718
				Total	131,700	11.296 ²	\$54,531 ²

¹ Average salary that would be paid if members worked on a full-time basis

² Overall averages

TABLE 4 (continued)
Active Members Classified by Age

FEMALE

Age	Count	Average Service Credit	Average Earnable Salary ¹	Age	Count	Average Service Credit	Average Earnable Salary ¹
20	63	.509	\$29,242	47	8,447	10.318	\$54,080
21	33	.403	22,143	48	9,012	11.197	55,618
22	205	.446	23,245	49	9,497	11.804	56,680
23	1,564	.629	28,421	50	9,926	12.531	57,646
24	3,479	1.006	32,187	51	10,203	13.032	58,079
25	5,534	1.407	34,459	52	10,282	14.203	59,709
26	6,797	1.892	36,459	53	10,575	14.992	60,597
27	7,802	2.378	38,110	54	10,679	16.000	61,704
28	8,524	2.856	39,621	55	11,283	17.259	62,972
29	8,423	3.311	41,142	56	9,792	17.863	63,323
30	8,485	3.765	42,462	57	7,640	18.359	63,352
31	8,669	4.168	43,847	58	6,952	18.839	63,953
32	9,148	4.545	45,059	59	6,619	19.611	63,569
33	8,317	4.976	46,042	60	5,491	19.795	63,384
34	7,376	5.403	47,130	61	3,893	19.664	62,789
35	6,865	5.904	48,247	62	2,838	18.628	62,004
36	6,421	6.246	48,967	63	2,059	18.521	61,632
37	6,450	6.639	49,184	64	1,614	18.518	60,205
38	6,473	7.085	50,077	65	1,218	17.816	58,818
39	6,668	7.632	50,847	66	917	17.815	59,106
40	6,841	7.756	50,764	67	715	18.159	57,641
41	6,908	8.140	51,107	68	575	17.622	56,730
42	6,905	8.418	51,497	69	433	17.799	58,748
43	7,038	8.698	51,853	70	319	18.249	56,994
44	7,247	8.975	52,284	71	269	17.411	55,084
45	7,634	9.569	53,172	71+	893	15.836	50,956
46	8,102	10.073	54,092	Age Unknown	396	3.871	43,513
				Total	310,508	10.178 ²	\$52,511 ²

¹ Average salary that would be paid if members worked on a full-time basis

² Overall averages

TABLE 4 (continued)**Active Members Classified by Age****TOTAL**

Age	Count	Average Service Credit	Average Earnable Salary ¹	Age	Count	Average Service Credit	Average Earnable Salary ¹
20	94	.974	\$29,134	47	11,744	10.428	\$54,611
21	38	.434	23,164	48	12,457	11.330	56,105
22	249	.462	23,860	49	13,230	12.028	57,305
23	1,890	.630	28,554	50	13,963	12.724	58,047
24	4,312	.977	31,813	51	14,453	13.415	58,794
25	6,878	1.369	34,005	52	14,801	14.582	60,414
26	8,626	1.829	35,919	53	15,357	15.449	61,336
27	10,086	2.302	37,573	54	15,565	16.462	62,512
28	11,356	2.764	39,074	55	16,540	17.705	63,699
29	11,291	3.198	40,531	56	14,630	18.395	64,131
30	11,522	3.632	41,866	57	11,518	18.997	64,404
31	12,235	4.015	43,201	58	10,502	19.616	64,966
32	12,903	4.420	44,544	59	10,069	20.222	64,745
33	11,855	4.824	45,579	60	8,336	20.342	64,329
34	10,671	5.221	46,673	61	6,001	20.357	63,991
35	10,019	5.695	47,859	62	4,320	18.623	62,733
36	9,392	6.087	48,762	63	3,213	18.248	62,009
37	9,405	6.450	49,286	64	2,502	18.174	60,620
38	9,441	6.912	50,248	65	1,899	17.876	59,376
39	9,698	7.387	50,802	66	1,475	17.541	58,790
40	9,802	7.665	51,141	67	1,135	17.979	58,110
41	9,898	8.069	51,623	68	937	16.477	55,842
42	9,885	8.364	51,840	69	707	16.886	57,013
43	9,992	8.751	52,478	70	537	17.503	55,696
44	10,206	9.025	52,724	71	452	16.459	53,972
45	10,828	9.578	53,618	71+	1,501	14.272	49,395
46	11,381	10.117	54,495	Age Unknown	411	3.842	43,228
				Total	442,208	10.511 ²	\$53,113 ²

¹ Average salary that would be paid if members worked on a full-time basis² Overall averages

TABLE 5
Number of Inactive Accounts

Fiscal Year Ending June 30	Total Count	Averages				Vested Count	Male% of Total	Female% of Total
		Contributions on Deposit	Age	Years Service Credit	Years Inactive			
1993	51,094	\$9,078	48.1	3.6	8.1	11,777	27.3%	72.7%
1994	53,222	9,607	47.9	3.5	8.2	12,318	27.2	72.8
1995	54,159	10,282	47.4	3.6	8.0	12,724	26.7	73.3
1996	56,424	10,931	47.2	3.5	8.0	13,261	26.8	73.2
1997	59,385	11,431	47.3	3.5	8.2	13,925	27.2	72.8
1998	61,848	11,731	47.5	3.4	8.3	14,038	27.4	72.6
1999	69,112	12,105	47.1	3.3	8.0	15,421	27.7	72.3
2000	75,580	12,325	46.8	3.2	7.8	16,211	27.8	72.2
2001	87,146 ¹	12,889	50.7	3.2	8.2	18,469	28.1	71.9
2002	96,159 ²	12,997	46.0	3.1	7.3	19,703	28.0	72.0

¹ 582 non-member spouse accounts included in this total.

² 653 non-member spouse accounts included in this total.

TABLE 6**Number of Members Retired for Service¹**

Fiscal Year Ending June 30	Total	Male% of Total	Female% of Total
1993	122,762	37.6%	62.4%
1994	126,476	37.9	62.1
1995	130,576	38.1	61.9
1996	133,764	38.2	61.8
1997	135,809	38.3	61.7
1998	139,193	38.3	61.7
1999	142,309	38.3	61.7
2000	145,415	38.1	61.9
2001	149,727	38.0	62.0
2002	154,884	37.8	62.2

¹ Does not include formerly disabled members

TABLE 7**All Members Retired for Service
Characteristics¹**

Fiscal Year Ending June 30	Average Age At Retirement	Average Years of Service Credit	Average Final Compensation	Average Current Allowance Payable
1993	60.9	24.3	\$2,414	\$1,297
1994	60.9	24.5	2,532	1,369
1995	60.9	24.6	2,637	1,434
1996	60.9	24.7	2,743	1,502
1997	60.8	24.8	2,837	1,566
1998	60.8	24.7	2,945	1,638
1999	60.7	24.8	3,057	1,729
2000	60.7	25.0	3,175	1,824
2001	60.7	25.4	3,356	2,033
2002	60.7	25.7	3,539	2,183

¹Does not include formerly disabled members

TABLE 8

**Members Retired for Service
During the 2001/2002 Fiscal Year¹
Classified by Unmodified Allowance**

MALE

Monthly Unmodified Allowance	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than \$500	117	61.5	5.199	\$3,498	\$270
500 - 1000	141	61.1	10.574	3,978	679
1000 - 1500	113	60.4	15.950	4,356	1,166
1500 - 2000	144	61.3	19.028	4,898	1,606
2000 - 2500	144	61.2	22.411	5,341	2,112
2500 - 3000	158	59.6	26.927	5,539	2,658
3000 - 3500	244	59.3	29.984	5,638	3,208
3500 - 4000	275	60.0	31.712	5,748	3,705
4000 - 4500	360	60.6	33.278	5,917	4,195
4500 - 5000	446	61.4	34.682	6,159	4,688
5000 - 6000	668	62.1	36.530	6,492	5,300
6000 & Greater	480	63.3	38.831	7,992	6,875
Total	3,290	61.3 ²	30.593 ²	\$6,024 ²	\$4,091 ²

FEMALE

Monthly Unmodified Allowance	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than \$500	265	60.6	6.925	\$2,682	\$302
500 - 1000	460	59.6	11.724	3,770	731
1000 - 1500	460	59.3	15.806	4,486	1,211
1500 - 2000	486	60.9	18.670	4,904	1,691
2000 - 2500	487	60.8	22.038	5,272	2,166
2500 - 3000	509	60.7	25.897	5,430	2,728
3000 - 3500	589	59.9	29.301	5,681	3,312
3500 - 4000	623	60.6	31.154	5,759	3,842
4000 - 4500	733	61.1	32.890	5,969	4,379
4500 - 5000	704	62.1	34.606	6,068	4,909
5000 - 6000	798	62.8	36.837	6,424	5,602
6000 & Greater	358	63.6	38.628	7,693	6,970
Total	6,472	61.1 ²	27.171 ²	\$5,514 ²	\$3,432 ²

¹ Does not include formerly disabled members² Overall averages

TABLE 8 (continued)

**Members Retired for Service
During the 2001/2002 Fiscal Year¹
Classified by Unmodified Allowance**

TOTAL

Monthly Unmodified Allowance	Count	Average Age at Retirement	Average Service Credit	Average Final Compensation	Average Allowance Payable
Less than \$500	382	60.9	6.396	\$2,932	\$292
500 - 1000	601	59.9	11.454	3,819	719
1000 - 1500	573	59.5	15.834	4,460	1,202
1500 - 2000	630	61.0	18.752	4,902	1,672
2000 - 2500	631	60.9	22.124	5,288	2,154
2500 - 3000	667	60.4	26.141	5,455	2,711
3000 - 3500	833	59.7	29.501	5,668	3,282
3500 - 4000	898	60.4	31.325	5,756	3,800
4000 - 4500	1,093	60.9	33.018	5,952	4,319
4500 - 5000	1,150	61.8	34.636	6,103	4,824
5000 - 6000	1,466	62.5	36.697	6,455	5,464
6000 & Greater	838	63.4	38.744	7,864	6,916
Total	9,762	61.1 ²	28.324 ²	\$5,686 ²	\$3,654 ²

¹ Does not include formerly disabled members

² Overall averages

TABLE 9

**Members Retired for Service
During 2001/2002 Fiscal Year¹**

Classified by Age and Joint & Survivor Option Elected²

MALE

Age	Total	Unmodified	Options						
			2	3	4	5	6	7	8
Under 55	11	3	4	1	0	0	3	0	0
55	84	45	13	3	0	1	13	9	0
56	182	75	37	6	3	1	31	28	1
57	150	50	18	5	0	2	50	25	0
58	191	65	28	3	4	2	58	31	0
59	267	66	42	7	4	3	92	52	1
60	380	93	44	19	10	8	136	67	3
61	439	80	72	14	11	6	160	92	4
62	514	126	75	16	15	14	190	84	4
63	306	79	52	9	8	1	109	46	2
64	193	54	30	4	5	3	68	27	2
65	140	41	20	11	1	1	52	14	0
66	110	32	22	3	3	1	35	12	2
67	76	23	11	1	2	0	27	11	168
68	58	18	10	4	2	1	15	7	1
69	45	20	5	1	0	0	14	3	2
70	32	11	5	2	0	0	9	5	0
71	21	5	5	2	0	0	8	1	0
72	29	6	6	1	1	1	5	7	2
73	16	4	4	0	2	0	4	2	0
74	13	4	1	2	1	0	1	3	1
75	11	2	1	0	1	1	4	2	0
Over 75	22	11	4	1	0	0	3	3	0
Age Unknown	0	0	0	0	0	0	0	0	0
Total	3,290	913	509	115	73	36	1,087	531	26
% of Total									
Males	100.0%	27.8%	15.5%	3.5%	2.2%	1.1%	33.0%	16.1%	0.8%

¹ Does not include formerly disabled members

² See Plan Summary for description of Joint and Survivor Options

TABLE 9 (continued)**Members Retired for Service
During 2001/2002 Fiscal Year¹**Classified by Age and Joint & Survivor Option Elected²**FEMALE**

Age	Total	Unmodified	Options						
			2	3	4	5	6	7	8
Under 55	22	12	2	0	0	0	4	4	0
55	284	163	18	0	0	3	54	44	2
56	528	333	17	12	1	3	77	82	3
57	351	189	11	8	4	1	67	69	2
58	413	239	18	9	1	1	61	79	5
59	528	296	16	13	0	0	77	125	1
60	734	401	19	15	2	0	141	150	6
61	707	392	20	12	3	2	131	142	5
62	724	444	19	12	2	0	112	129	6
63	561	334	23	8	0	2	77	107	10
64	408	255	11	11	0	0	56	73	2
65	309	199	11	10	1	2	37	48	1
66	223	137	6	3	0	1	42	33	1
67	147	105	1	3	0	0	17	17	4
68	130	105	2	0	0	0	9	12	2
69	96	57	3	4	0	0	14	16	2
70	76	49	3	1	0	0	5	13	5
71	65	52	1	0	0	0	5	4	2
72	42	34	0	0	0	0	3	5	0
73	33	25	2	1	0	0	2	2	1
74	22	16	3	0	0	0	0	1	2
75	24	19	0	1	0	0	2	1	1
Over 75	45	31	1	0	0	1	2	6	4
Age Unknown	0	0	0	0	0	0	0	0	0
Total	6,472	3,888	207	123	14	16	995	1,162	67
% of Total Females	100.0%	60.1%	3.2%	1.9%	0.2%	0.2%	15.4%	18.0%	1.0%

¹ Does not include formerly disabled members² See Plan Summary for description of Joint and Survivor Options

TABLE 9 (continued)**Members Retired for Service
During 2001/2002 Fiscal Year¹**Classified by Age and Joint & Survivor Option Elected²**TOTAL**

Age	Total	Unmodified	Options						
			2	3	4	5	6	7	8
Under 55	33	15	6	1	0	0	7	4	0
55	368	208	31	3	0	4	67	53	2
56	710	408	54	18	4	4	108	110	4
57	501	239	29	13	4	3	117	94	2
58	604	304	46	12	5	3	119	110	5
59	795	362	58	20	4	3	169	177	2
60	1,114	494	63	34	12	8	277	217	9
61	1,146	472	92	26	14	8	291	234	9
62	1,238	570	94	28	17	4	302	213	10
63	867	413	75	17	8	3	186	153	12
64	601	309	41	15	5	3	124	100	4
65	449	240	31	21	2	3	89	62	1
66	333	169	28	6	3	2	77	45	3
67	223	128	12	4	2	0	44	28	5
68	188	123	12	4	2	1	24	19	3
69	141	77	8	5	0	0	28	19	4
70	108	60	8	3	0	0	14	18	5
71	86	58	6	2	0	0	13	5	2
72	71	40	6	1	1	1	8	12	2
73	49	29	6	1	2	0	6	4	1
74	35	20	4	2	1	0	1	4	3
75	35	21	1	1	1	1	6	3	1
Over 75	67	42	5	1	0	1	5	9	4
Age Unknown	0	0	0	0	0	0	0	0	0
Total	9,762	4,801	716	238	87	52	2,082	1,693	93

¹ Does not include formerly disabled members² See Plan Summary for description of Joint and Survivor Options

TABLE 10

**Members Retired for Service
Characteristics¹
By Year of Retirement**

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age At Retirement
7/1/1992 thru 6/30/1993	7,780	26.8	\$2,153	\$3,960	61.3
7/1/1993 thru 6/30/1994	7,152	27.0	\$2,187	\$4,043	60.9
7/1/1994 thru 6/30/1995	7,140	26.5	\$1,984	\$4,030	61.1
7/1/1995 thru 6/30/1996	6,985	26.6	\$2,171	\$4,110	61.3
7/1/1996 thru 6/30/1997	6,011	26.6	\$2,210	\$4,206	60.9
7/1/1997 thru 6/30/1998					
0 - 5	73	2.5	\$ 298		
5 - 10	530	7.4	414		
10 - 15	572	12.6	834		
15 - 20	581	17.7	1,280		
20 - 25	884	22.6	1,811		
25 - 30	1,356	27.7	2,331		
30 - 35	1,799	32.5	2,817		
35 - 40	1,259	37.2	3,548		
40 & over	278	42.0	4,251		
Total	7,332	26.8	\$2,310	\$4,345	60.8
7/1/1998 thru 6/30/1999					
0 - 5	72	2.8	\$ 355		
5 - 10	459	7.6	491		
10 - 15	611	12.6	959		
15 - 20	644	17.5	1,394		
20 - 25	806	22.6	1,999		
25 - 30	1,081	27.6	2,574		
30 - 35	1,852	32.5	3,237		
35 - 40	1,312	37.2	4,093		
40 & over	411	42.6	5,147		
Total	7,248	27.2	\$2,706	\$4,541	61.2

¹Does not include formerly disabled members

TABLE 10 (continued)**Members Retired for Service Characteristics¹
By Year of Retirement**

Effective Date of Retirement by Service Credit	Number of Retirements	Average Service Credit	Average Unmodified Allowance	Average Final Compensation	Average Age At Retirement
7/1/1999 thru 6/30/2000					
0 - 5	92	2.2	\$279		
5 - 10	519	7.6	504		
10 - 15	658	12.5	994		
15 - 20	694	17.6	1,512		
20 - 25	900	22.5	2,099		
25 - 30	960	27.4	2,733		
30 - 35	1,968	32.5	3,487		
35 - 40	1,382	37.1	4,495		
40 & over	383	42.3	5,532		
Total	7,556	26.8	\$2,872	\$4,688	61.3
7/1/2000 thru 6/30/2001					
0 - 5	86	2.3	\$226		
5 - 10	505	7.3	513		
10 - 15	661	12.6	1,066		
15 - 20	707	17.4	1,594		
20 - 25	821	22.4	2,162		
25 - 30	988	27.3	3,073		
30 - 35	2,446	32.6	3,911		
35 - 40	2,041	37.2	4,963		
40 & over	446	42.1	6,121		
Total	8,701	28.1	\$3,373	\$5,312	61.2
7/1/2001 thru 6/30/2002					
0 - 5	86	2.4	\$ 228		
5 - 10	499	7.3	512		
10 - 15	679	12.6	1,093		
15 - 20	860	17.4	1,711		
20 - 25	886	22.3	2,380		
25 - 30	1,081	27.1	3,282		
30 - 35	2,912	32.7	4,215		
35 - 40	2,277	37.2	5,341		
40 & over	482	42.1	6,511		
Total	9,762	28.3	\$3,659	\$5,686	61.1

¹ Does not include formerly disabled members

TABLE 11**Members Retired for Service Classified by Years in Retirement¹****MALE**

<u>Years in Retirement</u>	<u>Count</u>	<u>Average Age at Retirement</u>	<u>Average Service Credit</u>	<u>Average Final Compensation</u>	<u>Average Unmodified Allowance²</u>	<u>Average Allowance Payable³</u>
Less than 1	3,290	61.3	30.593	\$6,024	\$4,216	\$4,091
1	3,115	61.4	30.814	5,708	3,991	3,889
2	2,557	61.4	29.865	5,153	3,373	3,265
3	2,595	61.5	30.538	4,992	3,237	3,163
4	2,578	60.9	30.120	4,734	2,830	2,756
5	2,166	61.0	29.696	4,555	2,681	2,685
6	2,565	60.8	29.933	4,512	2,652	2,736
7	2,622	60.9	29.604	4,380	2,536	2,668
8	2,707	60.7	29.866	4,415	2,583	2,793
9	3,043	61.1	29.875	4,350	2,558	2,806
10	2,562	61.0	29.649	4,213	2,454	2,722
11	2,929	60.9	29.706	4,110	2,353	2,659
12	2,459	60.6	29.198	3,822	2,145	2,531
13	2,533	60.6	28.786	3,575	1,958	2,361
14	2,217	60.5	27.202	3,379	1,850	2,307
15	2,344	60.4	27.585	3,237	1,757	2,233
16	1,817	60.1	27.271	2,977	1,576	2,035
17	2,045	60.1	27.444	2,831	1,517	1,979
18	2,103	60.1	26.082	2,654	1,348	1,810
19	1,916	60.1	26.191	2,535	1,285	1,765
20 and more	8,387	59.7	24.668	1,898	923	1,367
Total	58,550	60.7 ⁴	28.533 ⁴	\$3,893 ⁴	\$2,311 ⁴	\$2,543 ⁴

¹ Does not include formerly disabled members² Initial allowance before application of option factor³ Includes cumulative application of annual 2% benefit improvement factor⁴ Overall averages

TABLE 11 (continued)**Members Retired for Service Classified by Years in Retirement¹****FEMALE**

<u>Years in Retirement</u>	<u>Count</u>	<u>Average Age at Retirement</u>	<u>Average Service Credit</u>	<u>Average Final Compensation</u>	<u>Average Unmodified Allowance²</u>	<u>Average Allowance Payable³</u>
Less than 1	6,472	61.1	27.171	\$5,514	\$3,376	\$3,432
1	5,485	61.0	26.635	5,137	3,067	3,122
2	4,853	61.2	25.564	4,619	2,553	2,609
3	4,467	60.9	25.701	4,460	2,385	2,471
4	4,514	60.7	25.124	4,256	2,112	2,183
5	3,660	60.7	24.751	4,075	1,994	2,122
6	4,078	60.9	24.723	3,979	1,930	2,114
7	4,097	60.8	24.824	3,860	1,900	2,127
8	4,015	60.9	25.098	3,864	1,904	2,186
9	4,098	61.1	24.615	3,764	1,833	2,145
10	3,660	61.0	24.644	3,683	1,797	2,137
11	3,949	61.3	25.128	3,566	1,775	2,149
12	3,104	60.8	23.973	3,301	1,552	1,941
13	3,269	60.9	23.528	3,106	1,427	1,830
14	2,669	60.7	22.149	2,921	1,337	1,766
15	2,814	60.6	21.965	2,766	1,217	1,658
16	2,606	60.5	22.748	2,507	1,117	1,532
17	2,662	60.5	22.658	2,385	1,060	1,485
18	2,713	60.3	22.474	2,250	985	1,435
19	2,610	60.5	22.348	2,132	943	1,401
20 and more	20,539	60.1	21.273	1,399	596	997
Total	96,334	60.7 ⁴	23.943 ⁴	\$3,323 ⁴	\$1,687 ⁴	\$1,964 ⁴

¹ Does not include formerly disabled members² Initial allowance before application of option factor³ Includes cumulative application of annual 2% benefit improvement factor⁴ Overall averages

TABLE 11 (continued)**Members Retired for Service Classified by Years in Retirement¹****TOTAL**

<u>Years in Retirement</u>	<u>Count</u>	<u>Average Age at Retirement</u>	<u>Average Service Credit</u>	<u>Average Final Compensation</u>	<u>Average Unmodified Allowance²</u>	<u>Average Allowance Payable³</u>
Less than 1	9,762	61.1	28.324	\$5,686	\$3,659	\$3,654
1	8,600	61.1	28.149	5,344	3,402	3,399
2	7,410	61.3	27.048	4,803	2,836	2,835
3	7,062	61.1	27.479	4,655	2,698	2,725
4	7,092	60.8	26.940	4,430	2,373	2,392
5	5,826	60.8	26.590	4,253	2,249	2,331
6	6,643	60.8	26.735	4,184	2,209	2,354
7	6,719	60.9	26.689	4,063	2,148	2,338
8	6,722	60.8	27.018	4,086	2,178	2,431
9	7,141	61.1	26.856	4,013	2,142	2,427
10	6,222	61.0	26.705	3,902	2,067	2,378
11	6,878	61.1	27.078	3,797	2,021	2,366
12	5,563	60.7	26.283	3,531	1,814	2,202
13	5,802	60.8	25.823	3,310	1,659	2,062
14	4,886	60.6	24.442	3,129	1,570	2,011
15	5,158	60.5	24.519	2,980	1,462	1,920
16	4,423	60.3	24.606	2,700	1,306	1,739
17	4,707	60.3	24.737	2,579	1,259	1,699
18	4,816	60.2	24.049	2,427	1,144	1,599
19	4,526	60.3	23.975	2,303	1,088	1,555
20 and more	28,926	60.0	22.257	1,544	691	1,104
Total	154,884	60.7 ⁴	25.678 ⁴	\$3,539 ⁴	\$1,923 ⁴	\$2,183 ⁴

¹ Does not include formerly disabled members² Initial allowance before application of option factor³ Includes cumulative application of annual 2% benefit improvement factor⁴ Overall averages

TABLE 12**Characteristics of Members Going on Disability****MALE**

Fiscal Year Ending June 30	Count	Disability Allowance Payable	Service Credit	Final Compensation	Age at Disability
1993	116	\$1,909	16.340	\$3,314	50.8
1994	151	1,995	17.754	3,948	51.2
1995	132	1,893	16.764	3,821	52.1
1996	144	1,953	16.514	3,767	51.7
1997	131	2,097	16.949	4,091	51.9
1998	126	2,040	14.400	4,557	51.4
1999	103	2,330	16.955	4,198	53.9
2000	119	2,153	14.713	4,178	53.1
2001	124	2,524	17.222	4,769	54.3
2002	114	2,490	15.161	4,827	54.2

FEMALE

Fiscal Year Ending June 30	Count	Disability Allowance Payable	Service Credit	Final Compensation	Age at Disability
1993	272	\$1,767	17.155	\$3,294	50.1
1994	317	1,743	15.130	3,546	51.5
1995	337	1,834	15.581	3,591	50.9
1996	352	1,821	15.722	3,590	52.0
1997	333	1,854	15.154	3,802	52.1
1998	325	1,972	15.345	3,888	52.5
1999	311	2,042	15.192	3,970	51.6
2000	335	2,114	15.407	4,194	52.4
2001	362	2,183	15.315	4,376	53.8
2002	440	2,215	14.757	4,515	53.5

TABLE 12 (continued)

Characteristics of Members Going on Disability

TOTAL

Fiscal Year Ending June 30	Count	Disability Allowance Payable	Service Credit	Final Compensation	Age at Disability
1993	388	\$1,809	16.014	\$3,300	50.3
1994	468	1,824	15.977	3,676	51.4
1995	469	1,851	15.914	3,656	51.3
1996	496	1,859	15.952	3,641	51.9
1997	464	1,923	15.660	3,883	52.0
1998	451	1,989	14.446	3,906	52.3
1999	414	2,114	15.630	4,027	52.2
2000	454	2,124	15.224	4,190	52.6
2001	486	2,270	15.802	4,476	53.9
2002	554	2,272	14.840	4,580	53.6

TABLE 13**Number of Benefit Recipients by Type of Benefit**

Fiscal Year Ending June 30	Service Retirement	Disability Benefits	Benefits for Survivors	Total Benefit Recipients
1993	122,762	4,879	9,346	136,987
1994	126,476	5,126	10,271	141,873
1995	130,576	5,331	10,898	146,805
1996	133,764	5,540	11,501	150,805
1997	135,809	5,676	12,154	153,639
1998	139,193	5,758	12,796	157,747
1999	142,309	5,822	13,326	161,457
2000	145,415	5,885	13,982	165,282
2001	149,727	6,477	14,768	170,972
2002	154,884	6,724	15,461	177,069

TABLE 14

**Refunds of Member Contributions and Interest
Characteristics by Fiscal Year and Service Credit**

MALE

Fiscal Year Ending June 30	From Active Status			From Inactive Status ¹			Average Refund	Total Count
	Count by Amount of Service Credit		Average Service Credit	Count by Amount of Service Credit		Average Service Credit		
	<u><5</u>	<u>5 +</u>		<u><5</u>	<u>5 +</u>			
1993	1,348	312	3.576	1,428	101	1.577	\$6,595	3,189
1994	1,078	304	3.715	700	76	2.095	8,695	2,158
1995	966	313	3.681	1,185	116	1.853	7,719	2,580
1996	987	299	3.562	775	123	2.434	9,439	2,184
1997	845	229	3.413	647	140	2.606	9,795	1,861
1998	1,202	249	2.905	667	130	2.630	9,043	2,248
1999	1,258	232	3.047	642	120	2.640	9,949	2,252
2000	1,279	224	2.978	754	117	2.422	9,604	2,374
2001	1,053	202	3.208	681	131	2.800	10,982	2,067
2002	956	197	3.250	757	96	2.251	10,386	2,006

¹ Status is determined as of the end of the fiscal year. Inactive Status describes a member who has not contributed during that fiscal year.

TABLE 14 (continued)

**Refunds of Member Contributions and Interest
Characteristics by Fiscal Year and Service Credit**

FEMALE

Fiscal Year Ending June 30	From Active Status			From Inactive Status ¹			Average Refund	Total Count
	Count by Amount		Average Service Credit	Count by Amount		Average Service Credit		
	of Service Credit			of Service Credit				
	<5	5 +		<5	5 +			
1993	2,311	508	3.245	2,651	380	2.435	\$6,599	5,850
1994	1,910	556	3.670	1,472	245	2.745	8,810	4,183
1995	1,738	529	3.752	2,400	421	2.556	8,024	5,088
1996	1,619	527	3.709	1,807	412	3.024	9,542	4,365
1997	1,380	457	3.722	1,517	407	3.369	10,860	3,761
1998	1,719	428	3.100	1,399	392	3.365	10,213	3,938
1999	2,041	409	3.105	1,368	368	3.277	10,513	4,186
2000	2,053	388	3.098	1,660	447	3.301	10,963	4,548
2001	1,784	377	3.295	1,451	418	3.369	11,858	4,030
2002	1,495	271	3.180	1,448	325	3.109	11,560	3,539

¹ Status is determined as of the end of the fiscal year. Inactive Status describes a member who has not contributed during that fiscal year.

TABLE 14 (continued)**Refunds of Member Contributions and Interest
Characteristics by Fiscal Year and Service Credit****TOTAL**

Fiscal Year Ending June 30	From Active Status			From Inactive Status ¹			Average Refund	Total Count
	Count by Amount of Service Credit		Average Service Credit	Count by Amount of Service Credit		Average Service Credit		
	<5	5 +		<5	5 +			
1993	3,659	820	3.368	4,079	481	2.147	\$6,597	9,039
1994	2,988	860	3.687	2,172	321	2.543	8,771	6,341
1995	2,704	842	3.727	3,585	537	2.334	7,921	7,668
1996	2,606	826	3.654	2,582	535	2.854	9,508	6,549
1997	2,225	686	3.608	2,164	547	3.147	10,507	5,622
1998	2,921	677	3.022	2,066	522	3.139	9,788	6,186
1999	3,299	641	3.083	2,010	488	3.083	10,316	6,438
2000	3,332	612	3.052	2,414	564	3.044	10,497	6,922
2001	2,837	579	3.263	2,132	549	3.197	11,561	6,097
2002	2,451	468	3.207	2,205	421	2.830	11,135	5,545

¹ Status is determined as of the end of the fiscal year. Inactive Status describes a member who has not contributed during that fiscal year.

TABLE 15**Market Value of Assets and Annual Rate of Return**

Ending June 30	Market Value of Assets (in millions)	Annual Return on Investments
1985	\$14,208	31.42%
1986	\$19,412	27.8%
1987	\$22,352	16.8%
1988	\$24,348	.62%
1989	\$28,984	16.46%
1990	\$32,208	9.16%
1991	\$35,259	8.82%
1992	\$40,772	14.1%
1993	\$46,828	13.84%
1994	\$47,523	.56%
1995	\$55,481	16.4%
1996	\$63,368	13.2%
1997	\$74,842	17.4%
1998	\$88,289	17.05%
1999	\$99,920	13.40%
2000	\$112,600	12.69%
2001	\$102,808	-9.12%
2002	\$96,696	-5.95%

TABLE 16

**California State Teacher's Retirement System
Cash Balance Benefit Program
As of June 30, 2002**

Participant Statistical Information

Fiscal Year Ending June 30^a	Number Of Participants				Account Balances			Averages	
	Active^b	Inactive^b	Retirees & Beneficiaries	Total	Participant	Employer	Total	Annual Salary	Age
1997	na	na	0	495	\$82,039	\$82,039	\$164,078	\$4,261	53.2
1998	na	na	0	3,505	\$855,423	\$872,282	\$1,727,705	\$5,375	46.2
1999	na	na	13	6,425	\$2,473,015	\$2,527,598	\$5,000,613	\$7,864	45.8
2000	7,598	1,848	23	9,469	\$5,250,345	\$5,100,375	\$10,350,720	\$8,195	46.9
2001	8,412	3,603	42	12,057	\$8,513,463	\$8,425,011	\$16,938,474	\$8,356	46.4
2002	9,238	5,284	56	14,578	\$12,541,528	\$12,538,528	\$25,080,056	\$9,634	46.1

^a Program established 7-1-96

^b Active is defined as a participant with current year contributions and a balance. Inactive is defined as a participant without current year contributions but with a balance.

na = not available

TABLE 17
California State Teacher's Retirement System
Cash Balance Benefit Program
As of June 30, 2002

Active Participants by Age Group

Fiscal Year Ending June 30^a	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+	Unknown	Total
1997	na	na	na	na	na	na	na	na	na	na	na	na
1998	52	172	328	442	604	662	555	347	196	147	0	3,505
1999	47	349	654	767	961	1,102	1,120	673	375	308	56	6,412
2000	57	372	713	952	1,062	1,307	1,319	884	510	384	38	7,598
2001	66	481	816	947	1,044	1,385	1,393	1,034	605	473	168	8,412
2002	122	579	941	1,041	1,192	1,474	1,429	1,160	641	506	153	9,238

^a Program established 7-1-96
na = not available

TABLE 18

**Cash Balance Benefit Program
Breakdown By Type Of Benefit**

As of June 30, 2002

Number of Retirement Benefits:

Fiscal Year	Lump Sum			Annuity
	Without Rollover	With Rollover	Subtotal	
1998-1999	10	1	11	0
1999-2000	11	6	17	0
2000-2001	32	3	35	0
2001-2002	34	11	45	0
Totals	87	21	108	0

Average Benefit:

Fiscal Year	Lump Sum			Annuity
	Without Rollover	With Rollover	Subtotal	
1998-1999	\$800	\$432	\$767	\$0
1999-2000	\$1,331	\$1,202	\$1,286	\$0
2000-2001	\$1,286	\$1,621	\$1,314	\$0
2001-2002	\$1,464	\$2,993	\$1,838	\$0
Totals	\$1,305	\$2,164	\$1,472	\$0

Total Dollars Paid for Retirement Benefits:

Fiscal Year	Lump Sum			Annuity
	Without Rollover	With Rollover	Subtotal	
1998-1999	\$8,001	\$432	\$8,433	\$0
1999-2000	\$14,645	\$7,214	\$21,859	\$0
2000-2001	\$41,142	\$4,864	\$46,006	\$0
2001-2002	\$49,767	\$32,926	\$82,693	\$0
Totals	\$113,554	\$45,436	\$158,991	\$0

TABLE 18 (continued)**Cash Balance Benefit Program**

As of June 30, 2002

Number of Termination Benefits:

Fiscal Year	Lump Sum		Subtotal
	Without Rollover	With Rollover	
1998-1999	7	1	8
1999-2000	27	5	32
2000-2001	42	18	60
2001-2002	48	12	60
Totals	124	36	160

Average Benefit:

Fiscal Year	Lump Sum		Subtotal
	Without Rollover	With Rollover	
1998-1999	\$652	\$412	\$622
1999-2000	\$816	\$450	\$759
2000-2001	\$1,034	\$997	\$1,023
2001-2002	\$1,545	\$1,261	\$1,488
Totals	\$1,163	\$993	\$1,124

Total Dollars Paid for Termination Benefits:

Fiscal Year	Lump Sum		Subtotal
	Without Rollover	With Rollover	
1998-1999	\$4,563	\$412	\$4,976
1999-2000	\$22,036	\$2,249	\$24,285
2000-2001	\$43,413	\$17,950	\$61,363
2001-2002	\$74,141	\$15,137	\$89,278
Totals	\$144,153	\$35,748	\$179,902

TABLE 18 (continued)**Cash Balance Benefit Program**

As of June 30, 2002

Number of Disability Benefits:

Fiscal Year	Lump Sum			Annuity
	Without Rollover	With Rollover	Subtotal	
1998-1999	0	0	0	0
1999-2000	0	0	0	0
2000-2001	0	1	1	0
2001-2002	0	0	0	0
Totals	0	1	1	0

Average Benefit:

Fiscal Year	Lump Sum			Annuity
	Without Rollover	With Rollover	Subtotal	
1998-1999	\$0	\$0	\$0	\$0
1999-2000	\$0	\$0	\$0	\$0
2000-2001	\$0	\$4,529	\$4,529	\$0
2001-2002	\$0	\$0	\$0	\$0
Totals	\$0	\$4,529	\$4,529	\$0

Total Dollars Paid for Disability Benefits:

Fiscal Year	Lump Sum			Annuity
	Without Rollover	With Rollover	Subtotal	
1998-1999	\$0	\$0	\$0	\$0
1999-2000	\$0	\$0	\$0	\$0
2000-2001	\$0	\$4,529	\$4,529	\$0
2001-2002	\$0	\$0	\$0	\$0
Totals	\$0	\$4,529	\$4,529	\$0

TABLE 18 (continued)**Cash Balance Benefit Program**

As of June 30, 2002

Number of Death Benefits:

Fiscal Year	Lump Sum		
	Without Rollover	With Rollover	Subtotal
1998-1999	2	0	2
1999-2000	6	0	6
2000-2001	6	0	6
2001-2002	10	1	11
Totals	24	1	25

Average Benefit:

Fiscal Year	Lump Sum		
	Without Rollover	With Rollover	Subtotal
1998-1999	\$970	\$0	\$970
1999-2000	\$2,025	\$0	\$2,025
2000-2001	\$1,345	\$0	\$1,345
2001-2002	\$2,088	\$1,948	\$2,075
Totals	\$1,793	\$1,948	\$1,800

Total Dollars Paid for Death Benefits:

Fiscal Year	Lump Sum		
	Without Rollover	With Rollover	Subtotal
1998-1999	\$1,939	\$0	\$1,939
1999-2000	\$12,149	\$0	\$12,149
2000-2001	\$8,071	\$0	\$8,071
2001-2002	\$20,881	\$1,948	\$22,828
Totals	\$43,040	\$1,948	\$44,988

TABLE 19**Medicare Premium Payment Program**

On July 1, 2001, the CalSTRS Medicare Premium Payment Program began paying Medicare Part A premiums and Medicare Part B surcharges for eligible retired members.

Retired Members Enrolled in Program

Fiscal Year Ending June 30	Total Number Paying Part A Premiums	Total Amount of Part A Premiums (in millions)	Total Number Paying Part B Surcharges	Total Amount of Part B Surcharges	Total (in millions)
2002	5212	\$20,735	1620	\$800,506	\$21,536

Member Summary

	Medicare Part A			Medicare Part B		
	Member	Mean Age	Oldest	Member	Mean Age	Oldest
January 2002	5,000	72	98	9,500	70	111
January 2003	5,600	72	97	10,600	69	112

TABLE 20**Members Participating in the
CalSTRS Home Loan Program**

Date	Amount (in millions)	Number of Loans
As of 6/30/87	180,276	1,844
FY 1987-88	169,723	1,511
FY 1988-89	184,396	1,830
FY 1989-90	395,467	3,015
FY 1990-91	477,016	3,774
FY 1991-92	456,963	3,647
FY 1992-93	310,607	3,350
FY 1993-94	95,068	788
FY 1994-95	18,258	142
FY 1995-96	18,913	153
FY 1996-97	25,735	126
FY 1997-98	50,856	362
FY 1998-99	40,492	280
FY 1999-00	53,809	427
FY 2000-2001	357,087	2,915
FY 2001-2002	528,042	4,125

TABLE 21

VOLUNTARY INVESTMENT PROGRAM

Participant/Asset Information

FISCAL YEAR	TOTAL PARTICIPANTS	TOTAL ASSETS
1995-1996	660	\$16,036,984
1996-1997	1,010	\$19,386,000
1997-1998	1,498	\$25,309,000
1998-1999	1,700	\$35,973,000
1999-2000	2,300	\$50,423,000
2000-2001	2,655	\$57,229,000
2001-2002	2,981	\$62,067,000